The MAGAZINE of WALL STREET

and BUSINESS ANALYST

JANUARY 7, 1956

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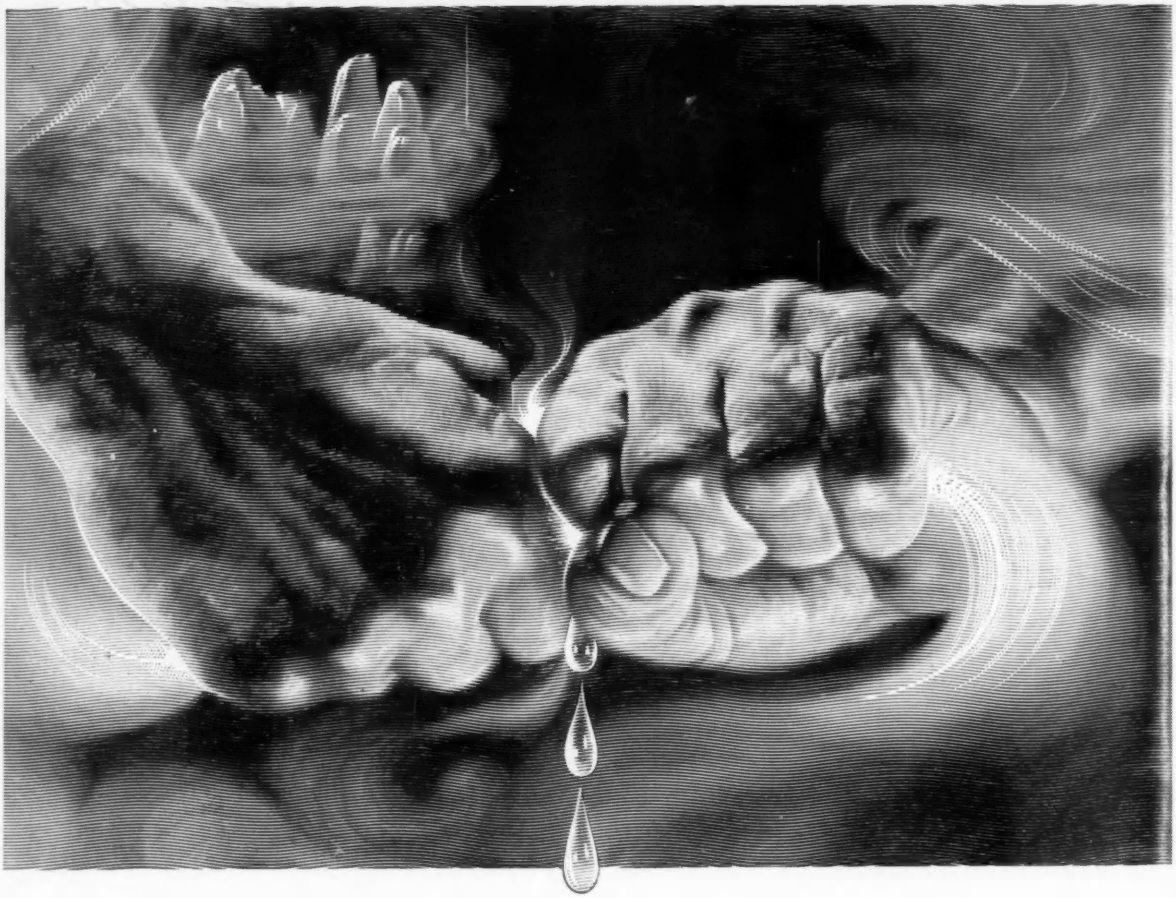

THE MAGAZINE OF WALL STREET
and BUSINESS ANALYST

Member of Audit Bureau of Circulations

VOL. 97, No. 8 — January 7, 1956

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SUBSCRIPTION PRICE — $20.00 a year in advance in the United States and its possessions and Pan-America, Canadian and Foreign Postage, $1.00 additional per year. Please send International Money Order or United States Currency.

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EUROPEAN REPRESENTATIVES — International News Co., Ltd., Breams Bldg., London E. C. 4 England.

Cable Address — Tickerpub

with the editors

The advent of a new year makes it incumbent to look back on the events of the preceding year in order that we may have firmer ground on which to determine, so far as humanly possible, the shape of things to come. This is all the more important since 1956 is an election year which will record a political campaign, the outcome of which can have a decisive influence on the trend of business and securities.

Most important last year was the Geneva Conference at which the four heads of State agreed that nuclear war would have to be ruled out. This laid the base for what seems destined to be a long and uneasy period of "competitive coexistence" between the two great power blocks, with intermittent periods of "cold war".

The second development of great importance was the demonstration in 1955 that the American economy contained within itself resources of enormous magnitude which were so dynamic as to raise production and consumption in this country to the highest level ever known.

The third development, with its great initial impact on the stock market, was the sudden illness of President Eisenhower, which automatically required revision of all previous estimates of the electoral outcome next November. Inevitably, this feeling of uncertainty on the political outlook will tend to tinge both business and security market conditions during the coming year.

Under the circumstances, the business and financial world will find it necessary to adjust itself to the possibility that government policies on taxes, agriculture, labor, defense and foreign aid to affect fiscal 1957 and beyond may be radically altered in the event of an overturn of the

Administration in the next election. For the 1956 fiscal year the present Administration will probably continue to press forward with its more conservative fiscal policies. This interval should offer businessmen and investors sufficient time in which to revise their programs, should they find this called for in a period of relative uncertainty on the political front.

Bearing in mind the conditions previously described and the potentials for change which they imply, it is clear that it will be more important than ever for the businessman and investor to keep abreast of the march of events, both with respect to international and domestic developments. It goes without saying that he also owes it to himself to keep fully informed on changing conditions as they apply to specific industries and securities. He should certainly at least keep abreast of company developments as they affect his personal holdings.

Our articles and analyses of securities are presented in clear language, avoiding, so far as possible, the use of technical expressions. In addition, our tables, which are a feature of this Magazine, and not available elsewhere, are arranged in concise form so as to present the greatest amount of useful data in the briefest form. Most tables include such highly important data as sales, earnings and dividend per share, financial position, price range and yield, a sine qua non for investors. We also publish other forms of illustrative material such as charts, maps and diagrams. Many of these possess unique value.

One of the most essential services performed by THE MAGAZINE OF WALL STREET is to afford continuity of information and counsel. During the course of the year, all important developments relating to specific companies are covered, together with our analyses, as often as required so that subscribers may thereby obtain a complete picture, to accord with changing conditions. Thus, subscribers are enabled to keep fully abreast of developments in their companies.

To further supplement our investment service, our INQUIRY DEPARTMENT is made available to subscribers desiring specific advice on their security holdings. This service is open to subscribers under conditions stated at the time of subscription.

Supplementing our complete coverage of investments, both as to general trends and individual stocks and bonds, the subscriber, through our BUSINESS ANALYST is kept informed on basic business conditions —money rates, commodities, production, retail sales and other important components of the economy. **Thus, our business readers are enabled to formulate plans that will be useful in the conduct of their affairs. This feature of long standing in our Magazine should prove more useful than ever in view of the many changes likely to occur in the trend of individual industries in the coming year, and which will require the constant attention of those engaged in commerce and industry.**

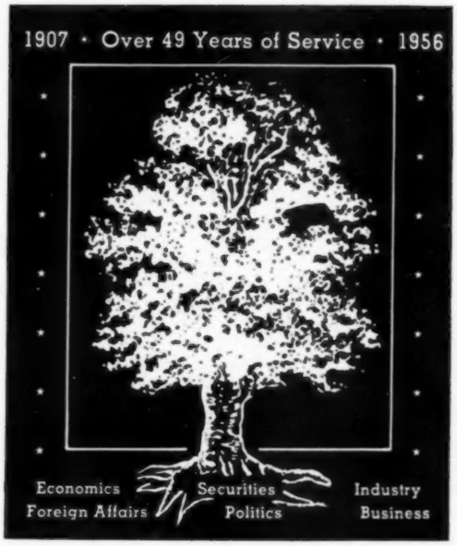
Each issue of The Magazine contains articles of general interest on economic and political developments. **We make a special feature of describing the potentialities of new industries which have been coming to the fore in the post-war era. We are especially proud of having been in advance of developments in such important new industries as atomic energy, automation, electronics, new metals and fuels.** These articles are written by specialists with intimate knowledge of the various fields.

Supplementing these various services, our WASHINGTON DEPARTMENT, headed by one of the best known Washington authorities, keeps you fully informed—often well ahead of the news—on events and developments which are likely to have a decided influence on the nation's affairs and, also, the world's. Significant regions of the world and individual countries are covered in each issue.

In conclusion, THE MAGAZINE OF WALL STREET stands ready to assist you with dependable and continuous service, with the general objective of aiding you to make the most of investment opportunities wherever and whenever they occur, always bearing in mind that our prime interest is to aid you in the safeguarding of your capital and income as well as in its upbuilding. To suggest the safest as well as the most profitable investment program to our subscribers remains at all times our paramount objective.

THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher*



The Trend of Events

CONGRESS CONVENES . . . The second session of 84th Congress has started and no matter how earnestly Congress strives to convince the nation that it has its mind strictly on its legislative duties, politics will be its real business. This is normal for a national election year but the particular abnormalities in the situation created by doubts concerning President Eisenhower's final decision as to his candidacy, will raise the politicing of Congress to a new dimension.

Under the conditions, it is more than likely that political considerations will play an extraordinarily large part in important new legislation that will come up for action in this session.

Both parties are concerned to attract as many voters as possible. To accomplish this end, they will tend to favor legislation that will appeal to the mass voting public. While the Democratic party traditionally has favored such a program, the Republican party, judged by recent abandonment of a conservative stance by some of its leaders, is not going to be slow in adopting a similar philosophy at least for the purposes of this election. Key issues will be involved such as taxes, natural gas exemption, social security, road-building, school aid and agriculture, among other domestic problems. Foreign aid and military assistance will also come up for review but unlike the domestic arena there will probably be a measure of bipartisanship in this area of important public issues.

All in all, it is difficult to believe that these vital issues will be dealt with as objectively as the situation calls for. With the authority of the Presidency automatically weakened by the illness of General Eisenhower, leadership in both parties is becoming too ineffectual to prevail against the mounting tide of political pressure on legislation which is about to be placed in the hopper. Under the circumstances, it is more than probable that the basic problems of debt-reduction budget-balancing and the attendant threats of inflation will receive scant attention in this Congress.

AUTOMATION AND STRIKES . . . The basic factor in the Westinghouse strike revolves around the new situation in labor-management relations created by the rapid growth of automation. The union — in this case, there were two of them — wants a guarantee against displacement of workers, which they fear will come about through increasing adoption by industry of automatic mass-production machinery. On the other hand, the management wants to be free to plan operations with a view towards securing the maximum in economic and efficient production. Justly it construes the violent opposition of the union as a severe limitation of its powers to act according to the dictates of its judgment.

> ***We recommend to the attention of our** readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" **This regular feature represents a valuable market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!***

The protracted strike at the Westinghouse plants, which is basically over this issue, illustrates the importance which both sides in the struggle attach to the outcome. In the estimation of both parties, the question of how this crucial problem is to be solved far transcends the immediate problem of wages and hours. For

this reason the negotiations between the unions and the management have attracted national interest for it is realized the outcome may have a profound effect upon the long-term relations between labor and industry generally.

The history of technological advance in production methods in this country shows that displacement by labor-saving devices or machinery has always been of comparatively temporary duration. Labor, displaced through these developments, has invariably been absorbed not only by industries manufacturing the new machinery but by industries which manufacture the new products made possible through more advanced means of production.

In earlier years, each important step forward has invariably been greeted by labor spokesmen with shouts of alarm that workers would be permanently shut out of their jobs. This has as invariably proved to be a wrong estimate. Though the velocity of increase in automation undoubtedly poses new problems, there is no reason to doubt that they can be solved, provided labor takes a realistic position, acts on the basic assumption that nothing will stop technological progress in this country, and learns to adjust itself to the changed state of affairs. As our history has shown, labor has little to fear and all to gain when the nation itself stands to profit from fundamental improvements in its economy.

HORNS OF THE DILEMMA . . . Although the State Department has taken a dim view of the proposal, Secretary of Agriculture Benson appears determined to whittle our cotton glut by cut-rate sales abroad. Mr. Benson is believed to favor sale of 2 million bales of cotton or more yearly at competitive bidding from foreigners. His department estimated the 1955 cotton crop, based on December 1 condition, at 14.6 billion bales. This whopping harvest spells the biggest pile-up of unwanted cotton (it has replaced wheat as the No. 1 surplus headache) in history. It's more than enough to keep domestic textile mills going for the next 18 months without growing another pound of cotton.

If Mr. Benson goes ahead with his cotton-dumping program, our Latin-American neighbors probably will be forced to meet the competition. It will, of course, work a hardship for such countries as Mexico, Nicaragua and the cotton-producing lands of the Near East and Asia.

The State Department's opposition to bargain cotton sales overseas is not difficult to understand. For that is the hand that is helping underdeveloped countries, while Mr. Benson's department might be regarded by cotton-exporting lands as striving to undermine their economy. Brazilians, Turks and Persians are no more confused than the American taxpayer, who also is burdened with the cost of propping up other people's economies and paying farmers at home to produce what nobody wants. It may be that the ever-rising world production of commercial cotton (up in a season by 900,000 bales in the United States and 800,000 bales abroad) would be less menacing to our foreign friends if there were some sort of international agreement governing output and disposal.

The problem, after all, is global. An indirect blow at the economy of a neighbor can cause cancellation of a sale negotiated by an American exporter. That neighbor's distress means loans and/or grants that bear heavily on the United States exchequer and, in turn, reduces the chances for tax cuts. Thus, the cotton crisis is but one aspect of the woes that afflict the interdependence of the world economy, to which we must one day adjust ourselves.

PROFIT MARGIN TRENDS . . . The secret of record-breaking corporate profits last year is to be found in capacity or near-capacity operations, based on maximum sales volume. This was against a framework of higher costs, to be sure, but industry was able to absorb the increase in large part, through greater efficiency. As long as capacity operations can be maintained — unless costs should rise too rapidly — profit margins in the next few months should tend to approximate those of the best periods of 1955. However, the proviso is an important one for if there is even only a slight faltering in industrial output and sales, the profit margin will be affected proportionately since costs will tend to remain relatively rigid, which in turn will tend to hold down any offsetting benefits through possible economies in operation.

The interdependence of these factors is well understood, of course, by businessmen, but they acquire a special meaning in view of the impact which any reduction in capacity output and sales would have on profit margins in the period ahead. We have seen in the past year how rapidly profit margins expanded under the influence of capacity operations and full sales. The reverse could be equally true in the event of a substantial business decline. While this does not appear in sight at this time, it is difficult to believe that, for the full year ahead, average profit margins can be maintained at the remarkably high rate of 1955.

A CHRONIC PROBLEM . . . It seems the Attorney-General of New York will ask for stricter legislation to prevent stock frauds and to punish transgressors. His predecessors asked for similar laws and obtained them, but they too, in their turn, also had little success in stamping out this evil. Other states have preventive and punitive statutes on their books with similar negative results.

From past experience, we doubt very much that the states can solve this problem on their own. The problem is one for the Federal government and should be the province of the FBI. Considering the remarkable success of this high-powered organization in detection of counterfeiting and similar crimes, there is reason to believe that it would have a far better record in ridding the country of stock swindlers than has been shown by the states. It possesses the necessary experience in crime detection and its superb and proven apparatus is ready at hand. If its present facilities are not sufficient to deal with the proposed expanded duties, its staff should be increased to meet the new requirements.

While we believe our proposal would help reduce the number of stock frauds in this country, undoubtedly other methods will occur to our readers. In the interest of bringing about effective reforms it would help if investors themselves became more active in demanding that all necessary steps be taken.

As I See It!

By JOHN CORDELLI

1955 SCORECARD OF U. S. DIPLOMACY

It must be admitted that in 1955 American diplomacy lost ground in the world-wide contest with the Kremlin; nor has this adverse trend stopped with the ending of the old year. Against the forbidding background of the growing might of the Red Empire, the Soviet challenge swiftly becomes more serious as their leaders employ disconcertingly effective tactics for support in the major population areas of the world, especially in Asia, the Middle East and Africa.

In Europe, too, the new Soviet approach, substituting skillful diplomacy for military aggression, is weakening the Western alliance. NATO itself is threatened as the governments cut back on military appropriations under pressure from the people, who are being successfully seduced by the Soviet "peace" offensive.

In Southeast Asia, the SEATO alliance is already a doubtful asset to the free world with the position of Pakistan deeply compromised by threats from India and Afghanistan, both of which are being effectively wooed by Russia. Now the Pakistanis, on two fronts, face mortal enemies who are being supported diplomatically and through other means by the giant Soviet Union. Notwithstanding this ominous development, the State Department has not yet come up with a plan to defeat the Soviet conspiracy.

In the Middle East, our policy is paralyzed by inaction in the dangerous Arab-Israeli struggle. Admittedly, the problem is most difficult but the longer we postpone a decision, the poorer the outlook for peace in that sorely troubled part of the world, and the greater the hazard to our strategic and financial interests involved in the Middle East.

The Baghdad Pact, which the British sponsored with our approval, and which was supposed to complete the defense system around the southern borders of the Soviet State, has probably done more harm than good, since it has effectively divided the Arab nations with the southern group resentful of American support for this new alliance. Under these circumstances, the military value of the Pact is lessened.

THE WISE GUYS FROM THE EAST

Dowling, in the N. Y. Herald Tribune

In West Germany alone, we have scored a partial victory for the Adenauer government remains firm by our side and is now at long last commencing to fulfill its obligations to add to NATO forces. But this gain has largely been offset owing to the removal of French forces from NATO to North Africa, over which the French, after years of bad policy, have now only a tenuous hold.

On the other side of the Pacific, Japan wants to remain loyal to the cause of the free world, but is commencing to feel herself isolated. She has very urgent economic problems to deal with and it may well be, if she fails to meet the increasing competition of Western nations, that she may feel herself compelled to draw trade-wise and diplomatically closer to the Asian mainland, which, of course, means Red China and Soviet Russia.

In one important respect, United States policy did secure an important victory, when President Eisenhower made his dramatic offer of friendship to the Soviets during (*Please turn to page* 475)

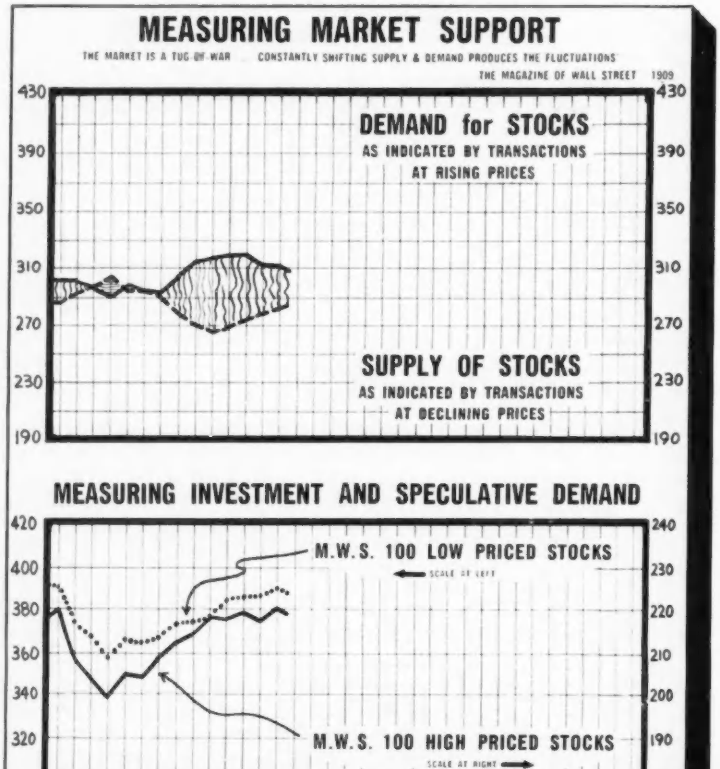
Security Market Trend in 1956

As a general rule, despite exceptions, profit opportunity in the stock market figures to be reduced in 1956, as compared with 1955. Risk has increased importantly. This prospect calls for greater emphasis on conservation of capital. Pare speculative positions without undue delay. Boost the proportion of funds employed in defensive-type securities.

By A. T. MILLER

Notwithstanding the spurt in the final trading hours of 1955, the long bull market made no net progress for about three months, or since attainment of the September highs. Features of this period were: (1) sharp fall on surprise news of the President's heart attack; (2) a recovery into November on which the Dow industrial average about duplicated its September high, and on which rails recorded a new top by a moderate margin; and (3) irregular trading-range fluctuation in recent weeks. During the latter phase the industrial average attained a new bull-market high by an indecisive fraction, while the rail and utility lists lost some ground on balance. Our broad weekly index of 300 stocks has just barely managed to better its September high. At a time when development or extension of seasonal year-end strength has been normal expectation, market performance, with the exception of the closing day's market, gives bulls no great encouragement.

It has been a boom year, of course, for business activity; and in terms of employment, consumer income and spending, construction, corporate earnings and dividends. In all of these respects, it was a better year than 1954, which brought termination of the mild 1953-1954 business recession and the start of a new cycle of expansion. It has been a good year for the stock market; but less so than was 1954, during which the market went a goodly distance toward discounting—especially in the late months—the rise in 1955 earnings and dividends. Partly because of the scope of the prior rise, partly because of credit restrictions, including two boosts in margin requirements, and partly because of the political uncertainty injected into the picture late in September, the rate of market rise slowed in 1955 and the corrections became more frequent.



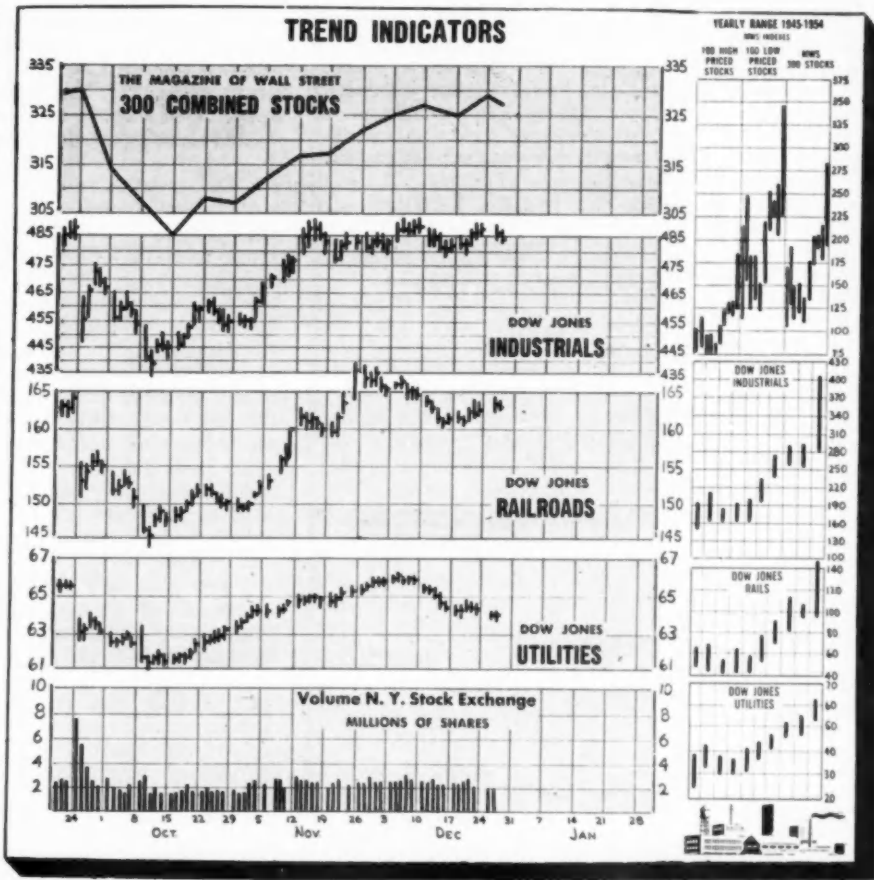
Some Unfavorable Comparisons

At this time, with 1955 stock trading a matter of history, the maximum rise since the close of 1954 has been about 20% for the industrial average, roughly 15% for rails and less than 7% for utilities. The year's range from low to high was less than 26% for the industrial average, against approximately 44% in 1954. For rails it was less than 22%, compared with 39% in 1954. Emphasizing the lag in many secondary stocks, it was roughly 17% for our weekly index of 300 stocks, compared with about 40% in 1954. Measured by volume of transactions, the general public's maximum speculative-investment interest in this market was seen prior to the Fulbright investigation (which proved nothing one way or the other), and prior to the boosts in margin requirements. Thus, as compared with early 1955 or late 1954, relatively more of the total demand for stocks has come from institutional and other professional sources.

The primary fact at the start of 1956 is that stock prices, on average, are fa

removed from bargain-counter levels; and that, if not yet extreme as measured by price-earnings ratios and dividend yields, they are nevertheless no great distance from an extreme — and, therefore, vulnerable—level.

If you figure the start of this bull market from the September, 1953, low, the industrial average has risen about 91%. Figured from the mid-1949 low, it has been about 205%. Indeed, for over 13 years it has paid investors—if they held the right stocks—to stay bullish and not try to guess swings in the general market. That is, the last major bear market had run its course by April, 1942. Since then the net result of the series of major bull markets and minor bear markets has been a rise by the industrial average of about 425%.



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The advance from the 1942 low was, of course, from an extremely depressed level. As of mid-1949 and for some time thereafter, stocks were still statistically undervalued, with representative industrials yielding over 6% and selling around 8 times earnings. The enthusiasm maintained without more than moderate interruptions for about two years, from September, 1953, to late last September, rested on renewed confidence in economic trends and prospects, a high degree of political confidence, and during 1955, on the tangible support of sharply rising earnings and dividends. As usual, stock prices tended to run ahead of the latter. As a result, representative prominent-type industrials are now priced on a yield basis around 4% and are priced at over 12.5 times estimated 1955 earnings. The spread between stock and bond yields is now appreciably narrower than it was at the 1946 bull-market top, though wider than at the 1937 top and far less alarming than the 1929 relationship which, at the extreme, saw high-grade bonds yielding over 50% more return than representative common stocks.

Typical of an advanced market level, corporate equity financing has increased considerably, adding to the supply of shares and absorbing funds which otherwise would have gone into previously listed shares. Total 1955 corporate new-money financing has been around 30% in common stocks, against under 18% in 1954. It remains far under the extreme ratio of 1929, and moderately under those of 1946 and 1937—but note that in all three instances a significant rise in equity financing preceded market breaks.

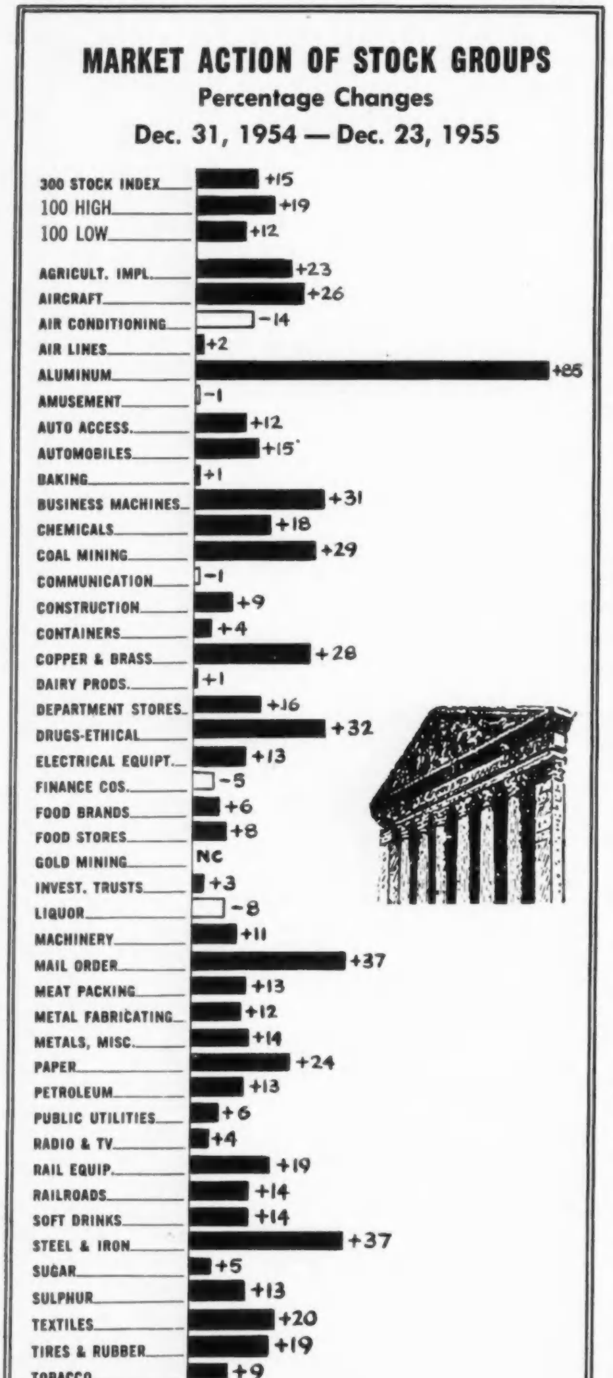
Assuming a price around 70, the indicated imminent offering of Ford Motor stock will soak up some $700 million of funds. That is over three times 1955's average monthly absorption by equity financing. Some of this money would have gone into listed stocks. Some of it has been or will be raised by profit taking on listed stocks. The Ford offering, though a temporary factor, is the first of the market's 1956 handicaps.

Limiting Factors In 1956

Another and more important one is uncertainty whether President Eisenhower will decide to seek re-election or not. This might be clarified by, or not much beyond, mid-February. Meanwhile, it gives many investors what they believe to be a logical reason for postponing additional purchases of common stock. It also can induce some profit taking by those who want to hedge against the contingency that the President will withdraw, or by those who think he probably will withdraw. For a variety of reasons, including implications for future tax policy, the decision is bound to make a considerable difference, for good or ill, in the level of investment confidence. We note some prophesies that it could add to, or subtract from, the potential 1956 range of the Dow industrial average by 50 or 75 points;

and we cite them here merely to illustrate our point, for any such "arithmetic" is, of course, sheer conjecture.

Next, there is uncertainty about 1956 business activity, corporate earnings and dividends—and this is not subject to adequate clarification excepting over a period of some months. The consensus of guess-forecasts is that "modest" or "moderate"



full-year gains in all three are probable. There are several things to note about this: (1) Mere maintenance of the present level of economic activity, or even a level a little under the present one, would mean a "modest" or "moderate" average 1956 gain over 1955; (2) the consensus, therefore, does not envision sustained gain from the present level, and we think it is probably correct in that respect; and (3) such forecasts are always heavily conditioned by the environment at the time they are made and they involve no little margin for error. A year ago we had had about six months of revival from the 1953-1954 recession, but much less than a full recovery. Toned down by that environment, the forecasts for 1955 proved to be much too low. The reverse could be so in the present boom environment.

At best, therefore, there does not appear to be much, if any, additional stock market stimulus in the 1956 business picture. Hence, there is more psychological room for surprise on the unfavorable side. In short, some shrinkage in business activity cannot now be ruled out. If so, earnings would recede in unforseeable degree from the present level; and dividends would do well to maintain the present level.

There are two definite soft spots, both of much importance: automobile and residential building. And there are some question marks. The rise in over-all retail sales has been virtually arrested since last September, the rise in installment debt has slowed and repayments are trending up. If continued, this would mean trouble. The rise in new orders of manufacturers has slowed, output has outgained consumption and inventories have risen fairly sharply since August. If continued, this would mean trouble. If continued, it would almost certainly induce some scale-down of previously planned 1956 plant and equipment outlays, which have heretofore been projected at a level sharply above those of 1955.

Without venturing any predictions, we hold that the long-range outlook in this dynamic country is bullish, that some companies will fare well in 1956, that some profit opportunities will continue to develop in 1956—but that the uncertainties heretofore cited, taken in conjunction with the relatively advanced general level of stock prices, justify an attitude of cautious skepticism at this time about medium-term market potentials; and call for a definitely conservative, highly selective investment policy. If you have not pared down speculative holdings, do so. If you do not have reasonable reserves in cash or equivalent, establish them. If you have not increased the proportion of your funds harbored in prime bonds, sound preferred stocks and/or high-grade stable-dividend income stocks, do not delay much longer. The strategy outlined should make sense to prudent people. It will not appeal to those who have acquired the habit of thinking that an endless bull market is a rational expectation.

Such a background is conducive to "switching" from stocks which apparently have been overplayed into less vulnerable situations. Hence, cross currents in the market are likely to become much more prominent. In the long run, this should prove a favorable factor as it will permit the consolidation of the market on a possibly more realistic and sounder foundation.

How Groups Compare

If he judges the market by the "averages" exclusively, the ordinary investor is likely to conclude that in 1955 there was a broad general advance with only two real but temporary interruptions (during the Fulbright Inquiry into the stock market and when President Eisenhower had his heart attack). But, upon actual examination into stock group action in 1955, one must conclude that the appearance of almost consistent general market strength, which the trend line for the "averages" indicates, is misleading. With reference to the accompanying chart of group action, for example, it will be seen that of the 46 separate market groups, 6 declined, 5 remained even and of the balance of 35, only a handful scored really substantial gains as compared with their closing prices a year ago. In contrast last year, every group but one gained over the previous year, in most cases from amounts ranging from 50% to well over 100%.

On the score of individual stock action, the year's final figures showed that an even smaller proportion than for the groups were able to maintain a substantial percentage of the gains they may have had during various periods of the year. Plus signs on the year-end stock table were, indeed plentiful, but were considerably fewer than a year ago and there were many minus signs. Many stocks had considerable gains to their credit at one time of the year or another but, subsequently, lost a goodly share of them and, in some cases, gains were converted into losses by the time the year closed.

In one respect, however, stocks acted true to their solid action in recent years. That was in the case of the so-called "Blue Chips" which, while they hesitated from time to time, nevertheless came through the year with flying colors. This more-or-less consistent strength represented the continued buying of institutional investors and private investors, generally of large means, who are interested mainly in long-term capital gains. The low yield characteristic of this group seemingly have been no deterrent to their steady accumulation by this type of investor.

Highest-grade preferred stocks gave a performance of astonishing stability. Credit restrictions and higher money rates had very little effect, contrary to what might have been expected. As a matter of fact, this group of preferreds acted relatively better than bonds of the same quality. Perhaps the reason for this excellent performance is to be found in the fact that over the years, high-grade preferred stocks have been taken out of the market in large quantities and are being held for more or less permanent investment by large scale investors. As a result, the amount available shrinks year by year and hence the group is not nearly as susceptible to money market conditions as formerly.

As an illustration of price stability over a year's period, we note a range of only 2 points in General Motors 3.75% stock; Du Pont, 1 point in the $4.50 stock; U. S. Steel, 3 points in the $7 preferred, and Scott Paper, 1 point in the $4 preferred stock.

Mention is made in connection with the bond article, appearing elsewhere in this issue, of the increasing number of flotations of convertible bonds. This also holds true of convertible preferred stock issues which have become a feature of recent corporate financing, in response to the demand for good stocks, in which appreciation potentials as well as security is stressed. This group of issues, of course, will fluctuate in accordance with market conditions and cannot be expected to show the same degree of stability of seasoned, high-grade issues.

It should be clear that as we move into a year in which many unpredictable events may occur and which may have a dominant influence on the price of stocks for considerable periods, the type of portfolio which met requirements a year ago may no longer be desirable. Specifically, investors may desire to increase holdings of sound bonds and preferreds and to reduce holdings of equities, in the interest both of conserving profits which may have been established over the years and in order to place their over-all investments in a safer position. This, of course, in no way should indicate that suitable opportunities for appreciation may not be found in the coming year. Such opportunities will continue to be found if care and foresight is exercised. We hope to point many of them out in the coming year.

—END

Sound Advice for Investors in Today's Markets

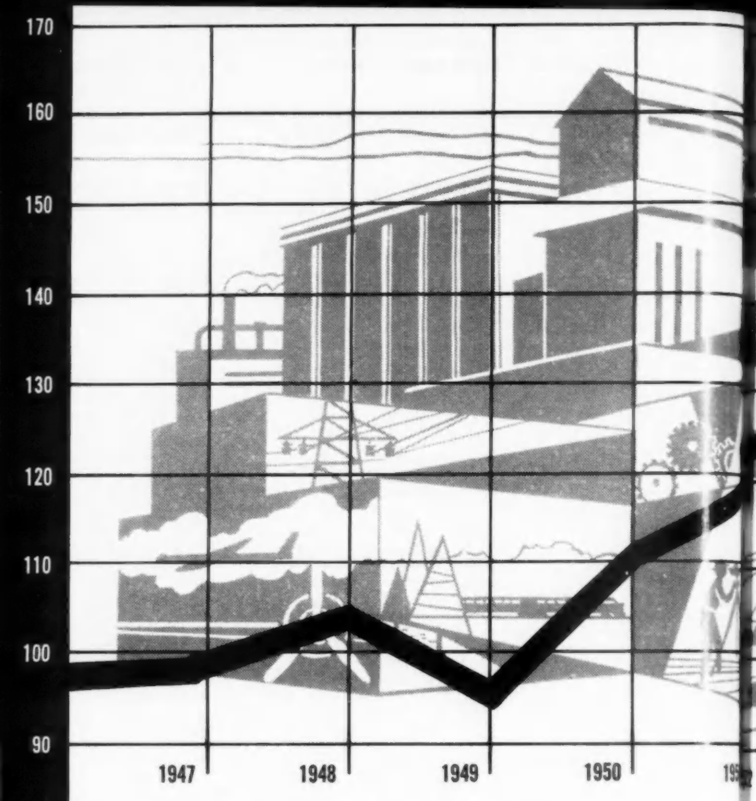
The advice given below is reprinted from our Jan. 8, 1955 issue in which Mr. Miller made some observations on the basic attitudes that investors should adopt in facing up to their investment problems. The advice given then holds just as good to-day and is worth taking.

1. **There have been only rare instances in our lifetime when a "sell-everything" policy would have been justified, with 1929 the outstanding case. Despite the exceptions that stand out on hindsight, the margin for error in timing is so great that far more money has been made by long-pull retention of good stocks than by in-and-out moves.**
2. **But where unusually large profits exist it would certainly be practical in many cases, and add to one's peace of mind, to sell enough to write off at least some of the original cost — leaving you in a risk-free position.**
3. **In this kind of a profit-taking write-down or write-off of original costs, net profit taken should be employed mainly in high grade bonds or preferred stocks, pending an eventual cycle of market decline that will make common-stock prices more attractive generally. You will defeat the object of a profit-taking write-off operation if you put realized profits into speculative common stocks at this stage.**
4. **It is foolish to let reluctance to pay the capital gains tax freeze you in stocks which are too high and should be sold. It should be considered an expense of investment, like the corporate tax is a business expense.**
5. **If you want to have a reasonably good chance for satisfactory investment results, a primary requirement is to think less about "the market" and more about opportunities in individual stocks. There are still not a few of these.**
6. **If you hold stocks that have not performed well in the bull market and which seem to have little likelihood of so doing within a reasonable period, you can make substitutions, provided you "upgrade" your purchases and do not try to make up for past losses by buying even more risky issues.**

1956 prospects for leading industries

PART 1

By GEORGE W. MATHIS



INDUSTRIAL PRODUCTION INDEX

By virtually every important economic indicator, 1955 has gone into the record books as the biggest business year in history. In fact, it would be hard, using statistics alone, to overstate the dimensions of the year. In terms of the nation's total output, its total employment, its income, and, above all, the standard of living achieved by the average American, 1955 has marked an impressive new gain in the concept of what a free economy offers its citizens. The performance of the American system in 1955 stands as one of the great weapons of the international war of ideas: a living proof that the free enterprise system is capable of rapid and dynamic growth.

The year began on a relatively moderate uptrend, centered in the automobile and housing industries. But this limited recovery from the 1954 recession gained momentum rapidly in the first quarter, and by mid-year the business system was already at new peaks of activity. In the third quarter another considerable increase in activity occurred, mainly as a result of the tremendous strength exhibited by retail trade in general, and the automobile market in particular. The strong and sustained pressure on output exerted by the consumer industries finally resulted in the establishment of wholly new standards of what American consumption was likely to be in the near future, and the demand for plant and equipment to satisfy these prospective requirements soared. At year-end, as the level of consumption stabilized at the highest point on record, it was the capital goods markets that were providing a continuing upward stimulus to business conditions.

While it is impossible to speak of business in 1955 in anything but the most glowing terms, it would be foolish to ignore that in the course of the 1955 recovery some demands were overstated in the boom-like atmosphere that developed during the year. These overstatements of demand are characteristic of the business cycle, and one would do well to remember that business cycles have down-slopes as well as up-slopes.

In looking ahead to 1956, therefore, it must be realized that the year past has witnessed the most rapid increase in instalment debt on record. It has also witnessed a large growth in personal mortgage debt, and in business debt. The tremendous automobile market of 1955 has resulted in the fastest improvement in consumer stocks of these key durables in history. And the boom has resulted in a characteristic and traditional tightening of the money market, with a resulting increase in the cost of borrowing. Finally, the sharp resurgence of demand for capital goods has brought the level of capital spending into a sharply rising trend, at the same time that business has begun to invest more heavily in inventory. Thus, while corporate profits (and depreciation allowances) have advanced during the year, so, too, have the demands on corporate cash.

For all of these reasons, and for a number of others that need not be mentioned in detail, the year 1956 is widely expected to show a much slower rate of growth than occurred in 1955, and perhaps no growth at all. Careful analyses of all the factors involved indicate that the current boom is likely to be well nigh exhausted by mid-year, and a mild period of digestion and readjustment will ensue.

There are many good reasons for anticipating this pattern, not the least of which being the simple fact that the 1955 boom has already outlived most similar booms of the past forty years. And it seems apparent that in terms of the nation's debt position, its inventory position, and its capital goods position, the main stimuli will have disappeared over the next few months.

There is, therefore, an obvious requirement for caution in the planning of business and investment decisions beyond the first quarter of the new year. While the business cycle has been moderated since the 1920's, experts agree that it is far from dead; and if it is alive at all, it is very likely to make an impressive reappearance after the record-shattering advances of 1955.

Following is the first section of an analysis of the position and outlook for a number of leading industries. The remainder will appear in the next issue.

PUBLIC UTILITY—On any basis of measurement, the electric utility industry broke all records in 1955. Both electricity generated and sales increased sharply over 1954, the former by 15.5% and the latter by 16.6%. With an increase of 12.5 million KW in generating capacity, new installations brought capacity for the industry up to the unparalleled figure of 120 million KW. Total electricity generated in the U. S., including kilowatt hours produced by railway and industrial plants reached 623 billion KW.

Gross revenues increased about 9.6% as compared with 1954, and net income rose 8.3%. At the same time, taxes increased by 13.5%, wages 4% and fuel 11.2%. Despite these increases in costs, the general tendency of profits was upward and this momentum is not likely to be materially reversed in the near future. To a considerable extent, this favorable situation is the result of more equitable rate treatment by the various State regulatory agencies as well as to the needs of an increasing residential and business population.

Due to the growing confidence of investors in the industry, new financing has met with little difficulty. Recent offerings have been well taken, on the whole, higher coupon rates, as a result of higher money rates being a strong supporting factor.

The action of major public utility stocks in the past year was favorable, most of the group closing moderately higher than at the close of the preceding year. As earnings rise, dividends are moderately increased and the price of the shares advanced. The prospect is for this trend to continue in 1956, even if the market, as a whole, does not perform as well as in 1955.

The natural gas industry continues to forge ahead. With the completion of the Pacific Northwest line, all but two states are being serviced through natural gas. The industry is exceedingly active, with new discoveries and higher reserves; new distributive and storage facilities. Almost $1.4 billion was spent for new facilities in 1955. It is estimated that from 1955 through 1958 more than $4.3 billion will be spent by the industry.

Revenues gained 16.2% over 1954. Dividends are conservative, owing to the enormous outlays for new construction, and are likely to continue so for a considerable period. However, long-term prospects are considered highly favorable and this is the basis for continued absorption of the better grade securities despite the comparatively low income yield.

CONSTRUCTION—In 1955, construction expenditures climbed to an all-time peak of $42 billion.

The big rise next year should come in public works, with a jump of about 10% to reach a total of more than $13 billion. Private construction is slated for a more modest increase—a boost of 3% from 1955, running the 1956 total to nearly $31 billion. Housing starts probably will add up to 1.2 million, compared with 1.3 million last year.

Spending in nearly all other areas of private constuction should go up in 1956. A notable exception is construction by utilities, which should be on a par with 1955. Industrial, commercial and "religious" construction should rise substantially. These three categories may well account for an increase of $1 billion from 1955.

Public works will turn up large increases in a number of categories. Star performer is expected to be highways. Spending for road-building may increase as much as $500 million this year to reach an all-time peak of $4.6 billion. Substantial increases are slated for schools, municipal works (sewers, waterworks and the like) and military facilities. Another sharp rise in construction expenditures is charted for state and local public works. The St. Lawrence power project and related facilities account for a good share of the projected increase.

Finally, the foregoing forecast could be on the low side if the home-building segment can overcome such obstacles as tight mortgage money, stiff mortgage terms and the shortage of available raw land

at reasonable prices. Otherwise a drop, on the order of 6% to 8% from the 1955 record volume of $6 billion that went into housing appears inevitable.

STEEL—As 1955 began, steel was still being produced at about 9 million tons a month. This marked a steep recovery from the 7-million tons a month being produced in the early fall of 1954, but it was still notably short of the industry's capacity. In the machinery industries, which take considerable heavy steel, operating rates were still quite low, and were to continue low throughout the first quarter. In January and February, the year looked good, but it was still no record-breaker.

By late spring, however, the whole dimensions of the steel market had changed. Automobile production, which takes almost 20% of finished steel shipments, had climbed to an 8-million annual rate, the highest in history. Machinery demand had expanded; freight car backlogs were accumulating; and heavy construction activity was climbing toward a new record. Steel orders advanced to far above the delivery rate, and mill order-books were loaded up for the last half.

Throughout the remainder of 1955, orders have outrun production, and the new year begins with the steel industry committed to capacity operations throughout the first half. Inventories of steel in the hands of consuming industries are still quite low, and the steel price trend is clearly upward.

The new year is obviously going to average close to a capacity level of demand, and production not much short of 120 million tons seems altogether possible for 1956. Nevertheless, in the light of developments in the key automobile industry, it seems probable that as 1956 draws to a close the industry will have closed the gap of unfilled orders, and that inventories of steel will be substantial in fabricating industries. It is quite possible that a slight decline in operations will set in before year-end, and perhaps gain momentum.

Even a fourth-quarter decline in steel production is compatible with an outlook for the highest steel earnings on record. Earnings of companies in the last half of 1955 have been extremely favorable, and the trend is upward (mainly because of price adjustments) in the first half of the new year. From an earnings point of view, in fact, the steel industry seems the most favorably situated of all heavy industry for the year ahead.

AUTOMOBILES—The 1955 automobile record is the most remarkable development of the year. Passenger car production has equalled 8-million; new-car registrations have approached 7.5 million; the capital spending plans for the future dwarf even mammoth outlays of the past five years.

Whether the unbelievable outpouring of new automobiles in 1955 was a one-shot affair, or a new standard for the American economy, is one of the most pressing questions of analysis for 1956. But this much at least seems clear: the 1955 record of sales was accompanied by about a $4 billion increase in the level of automobile credit outstanding. This amounts to roughly a 40% increase in such debt, and it is hardly conceivable that two such sizable increases will occur in consecutive years. Moreover, 1956 models are notably lacking in the "new-model stimulus" provided by design departures, which have been found to be an essential ingredient in automobile booms. Finally, the forcing of sales to alleviate the crowded condition of dealers' floors during late 1955 has doubtless borrowed substantially from the 1956 market.

The outlook for 1956 automobile output and sales is, accordingly, considerably lower than the 1955 record—probably as much as 1.5 million units lower. (The production outlook is somewhat darker than the retail sales outlook, since the industry engaged in a build-up of dealer stocks in 1955 that is not possible in 1956). However, two elements in this picture make the profits expectations a little brighter: automobile prices average about 5% higher for 1956 than in 1955, and the industry is reportedly prepared to bolster volume late in the year by the introduction of substantially different "1957" models.

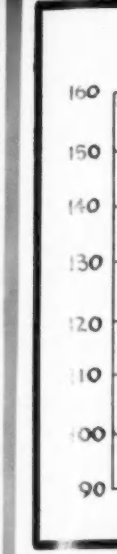
TIRES AND RUBBER—In 1955, natural rubber industry's earnings have been tremendous; and its consumption evidently rose 10% above the 600,000 tons consumed in 1954, while consumption of synthetic showed a gain of almost 20%—the largest increase since 1950.

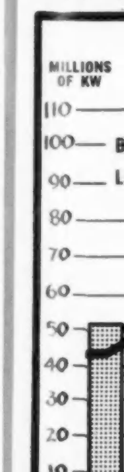
Output of pneumatic casings for automobiles and trucks account, of course, for the bulk of this increase; casings production in 1955 have evidently totaled well over 100 million, compared with about 85 million in 1954. Both the "original equipment" and replacement market for tires have been tremendous in 1955, with the former showing an increase of roughly 40% over year-ago figures. Inner tubes, on the other hand, have actually declined, as a result of the changeover of most manufacturers to tubeless tires.

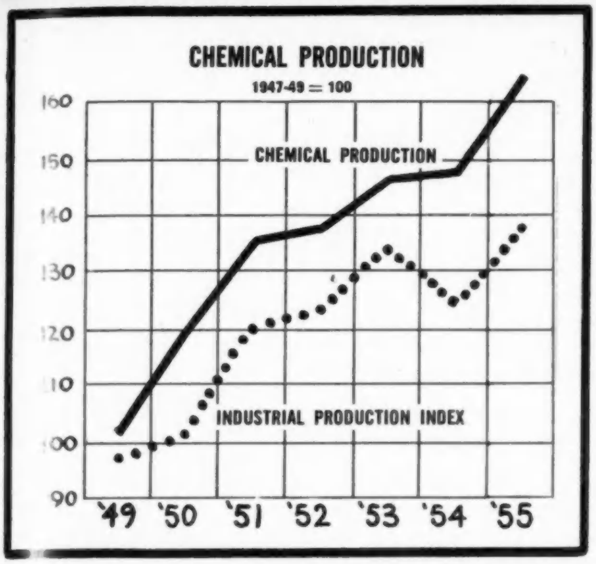
For 1956, the tire outlook of major rubber manufacturers is significantly below the astronomical figures of 1955. The makers of "original equipment", in particular, can expect a substantial decline in volume, since the outlook for passenger car assemblies is so severely reduced. Even the replacement market is not likely to equal the bumper dimensions of 1956, and earnings of tire manufacturers (considering tire operations only) will probably be considerably less than in 1956. The increased price competition that should result from the sharply lower level of "original equipment" demand may well be felt throughout the replacement market, and, of course, damage profits further.

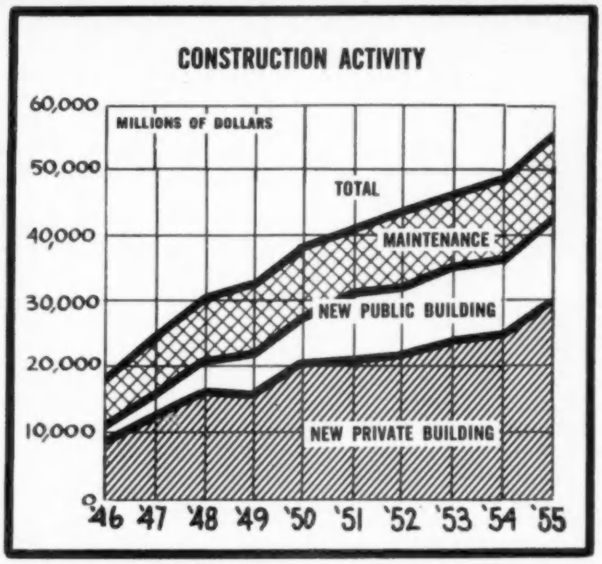
However, it would be wrong to view the outlook for the great rubber companies simply in terms of tire operations. Rubber has been the subject of intense product research, and it now has wide industrial applications in conveying and road-building machinery, defense products, footwear, etc. In addition, the larger rubber companies have diversified into a broad range of chemicals, plastics and related fields. Because of its association with the automobile cycle, the tire component of rubber companies is likely to suffer most in 1956; other components may even show a modest increase, and it would not be surprising if many of the more aggressive companies in the field were to experience little decline in total earnings.

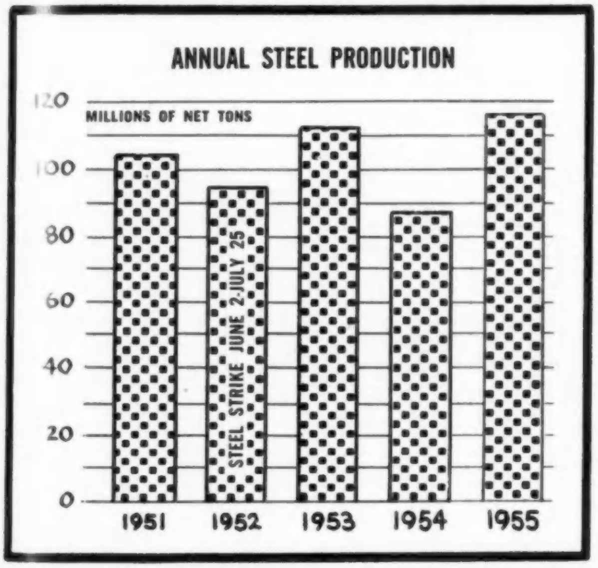
RAILS—The year 1955 has been a banner one for the railroads. After the recession of 1954 which, while mild, struck sharply at the traffic and earnings of freight carriers, ton-miles of revenue traffic in 1955 have shown a gain of about 15% and have

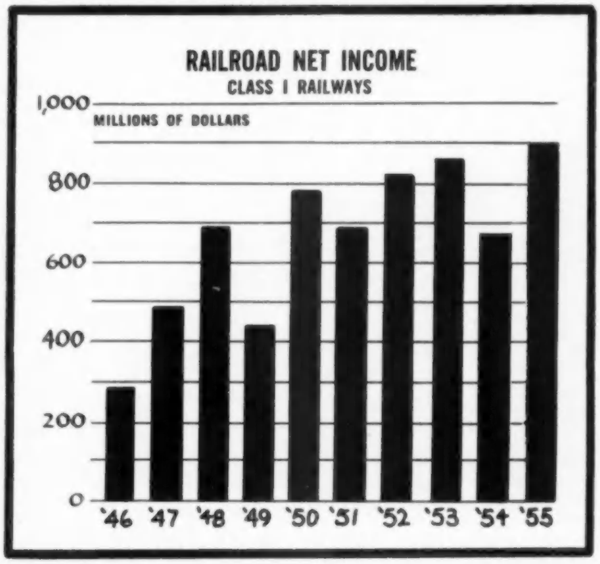


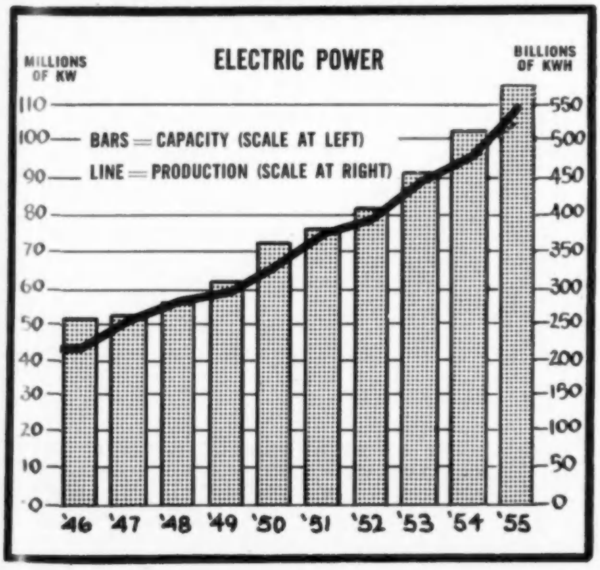


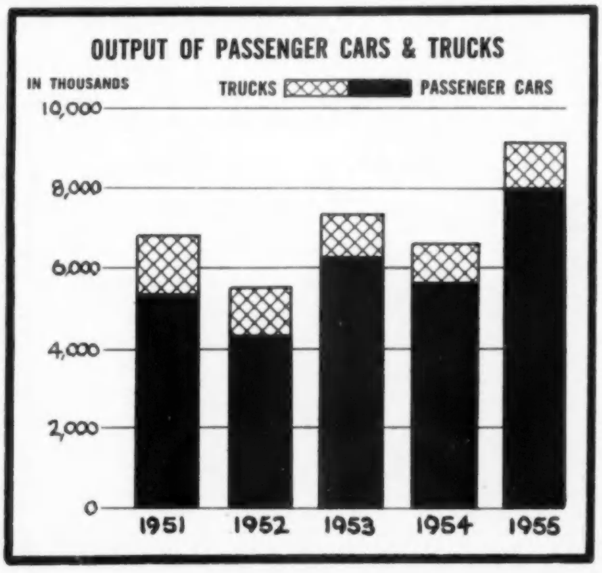

CHEMICAL PRODUCTION
1947-49 = 100
CHEMICAL PRODUCTION
INDUSTRIAL PRODUCTION INDEX
160
150
140
130
120
110
100
90
'49 '50 '51 '52 '53 '54 '55


CONSTRUCTION ACTIVITY
MILLIONS OF DOLLARS
TOTAL
MAINTENANCE
NEW PUBLIC BUILDING
NEW PRIVATE BUILDING
60,000
50,000
40,000
30,000
20,000
10,000
0
'46 '47 '48 '49 '50 '51 '52 '53 '54 '55


ANNUAL STEEL PRODUCTION
MILLIONS OF NET TONS
STEEL STRIKE JUNE 2-JULY 25
120
100
80
60
40
20
0
1951 1952 1953 1954 1955


RAILROAD NET INCOME
CLASS I RAILWAYS
MILLIONS OF DOLLARS
1,000
800
600
400
200
0
'46 '47 '48 '49 '50 '51 '52 '53 '54 '55


ELECTRIC POWER
MILLIONS OF KW
BILLIONS OF KWH
BARS = CAPACITY (SCALE AT LEFT)
LINE = PRODUCTION (SCALE AT RIGHT)
110 100 90 80 70 60 50 40 30 20 10 0
550 500 450 400 350 300 250 200 150 100 50 0
'46 '47 '48 '49 '50 '51 '52 '53 '54 '55


OUTPUT OF PASSENGER CARS & TRUCKS
IN THOUSANDS
TRUCKS
PASSENGER CARS
10,000
8,000
6,000
4,000
2,000
0
1951 1952 1953 1954 1955

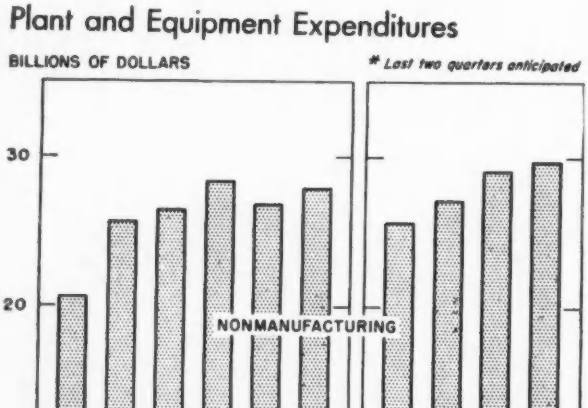
averaged close to, or slightly in excess of, the very satisfactory levels of 1953. Operating revenues have apparently exceeded all previous records, and net income will apparently somewhat exceed the $900 million earned in 1953.

For 1956, the outlook for traffic volume is slightly below the tremendous levels achieved in the last half of 1955, but the average level for the year as a whole may in fact exceed the average for 1955, and earnings should also exceed the 1955 level. For the first half of 1956, record or near-record carloadings appear to be in sight, with only a shallow decline in the last half. Moreover, expense control of the railroads has improved considerably over the years, and some of the benefits may well appear in 1956. Maintenance has been well maintained—unlike earlier postwar years—and deliveries against large back orders of freight cars and engines should further improve efficiency. In passenger operations, volume should also be well maintained, and recent rate increases have acted to put commuter operations more nearly on a self-sustaining basis.

Railroads are notoriously sensitive to the business cycle, however, and it should be borne in mind that if the possible decline in month-to-month results materializes late in the year, the souring of the railroad outlook could affect security prices. Railroads are closely tied to the *industrial* sector of the national economy, and it is the industrial sector which suffers the sharpest adjustments in recession. As long as construction and capital goods demand holds up, the rails can hope to accrue net earnings at the $75 million-a-month rate of 1953 and 1955. When those key industrial sectors decline, rail earnings will be more than proportionately affected.

A VITAL ECONOMIC FACTOR

Plant and Equipment Expenditures



CHEMICALS—In general, output of the highly diversified chemicals industry in 1955 has run about 10% above its level in 1954; industrial chemicals have shown an improvement of almost 20%. Virtually all of the heavy inorganic chemicals have enjoyed substantial increases. Among the organic chemicals, output increases have been relatively modest, but widespread. Fertilizer consumption has risen very slightly. Processing of animal fats has advanced considerably. Paint and varnish production has shown a very marked advance, as have production of virtually all of the synthetic plastics and resin materials.

For 1956, the situation of the chemicals industry appears to be relatively assured. A gain at all close to the dimensions of the gain in 1955 seems very unlikely—in fact impossible in many lines because of capacity limitations. But inventories of chemical materials throughout industry are far from excessive, and in most sectors the employment of the industry's products is still rising.

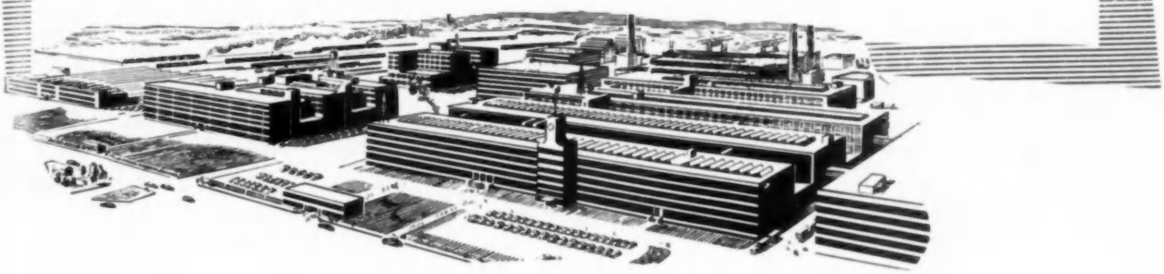
However, the composition of the 1956 increase in aggregate chemicals output is likely to be very different from the increase in 1955; that is, heavy industrial chemicals may have already reached a plateau, and consumption of these industrial materials may actually be declining by mid-year, in response to a moderate decline in production activity in heavy industry. In contrast, the paint, plastic, fertilizer and fats-oils segments of the industry may show increases quite as large as those enjoyed in 1955.

As with the railroads, it may be well to bear in mind that the heavy chemicals segment of the chemical industry is seriously influenced by the business cycle, because of its close connection to steel and other heavy industrial activity. Moreover, the industry has in the past, despite its general growth record, suffered inventory excesses, even in such rapidly growing segments as the plastics business. In the textile filament division, too, the industry is cyclically sensitive, and it is possible that by late 1955 a mild but accelerating decline may have begun. In this last connection, it may also be worth noting that in late 1956 the regular two-year cycle in textile demand will be declining. Despite these warnings, however, earnings in the chemical industry for 1956 as a whole should moderately exceed their 1955 levels.

ETHICAL DRUGS—Earnings for this group in 1955 recovered substantially from the setback of the past few years. Sales of the top companies were up about 13% and net rose on the order of 25% (reflecting more efficient processes and cost-cutting). Prospects are good for a continuance of the uptrend, since new important drugs have been introduced, the wave of price-cutting has ebbed and inventories no longer are unwieldy.

In citing stocks within the group, it is well to remember that special developments, rather than any industry-wide trend, often bring sharp individual rises. Such developments may entail a new vaccine (all have a stake in the Salk vaccine), an anti-arthritic drug or other antibiotic. It also is important to remember that individual discoveries inevitably bring out equally effective, if not superior, products from (*Please turn to page* 469)

25 Companies With Built-in Dividend Assurance



By WARD GATES

In a decade marked by record dividend disbursements, it is a large-size chore to select 25 companies that stand out from the rest with respect to the number of times they have increased dividends. But our painstaking labors have uncovered what we believe to be the companies entitled to top honors in this particular category.

Anyone with even a nodding acquaintance with baseball knows that a .300 hitter is a star performer. A .400 hitter comes along once in a generation. Well, the weakest hitters on our roster boast a .600 average (number of years they have come through with dividend increases over the decade). And there is even one that has batted 1.000.

It will be noted (from the accompanying table) that this galaxy of super-stars represents a goodly cross-section of industry, reflecting the broad-based prosperity the nation has enjoyed in the postwar decade. Only utilities and paper companies manage to place as many as three on the team, while food processors and oil companies contribute two each. Many are so versatile as to defy classification, notably the Gillette Co., Minnesota Mining & Manufacturing and Minneapolis-Honeywell Regulator.

Next to Winn-Dixie, operator of a chain of self-service food supermarets in the Southland, no less than five of the members of this All-Super-star team are tied for runner-up honors with nine dividend increases over the 10 years. They are Florida Power & Light which, incidentally, operates in the area that gives Winn-Dixie the bulk of its revenues; Crown Zellerbach Corp., a leading manufacturer of paper products; B. F. Goodrich, the only rubber company to make the team; National Lead, which has wide-ranging interests along with its huge stake in production and processing of metals, and the aforementioned Gillette.

Dividend Increases Without Financial Strain

Many of the members of the team have achieved their place with relatively little strain, paying out as little as 30% (Dixie Cup) of their net profits in cash dividends. Others, which also pay out less than half of their net in cash, are Continental Can, B. F. Goodrich, Halliburton Oil Well Cementing, Lily-Tulip Cup, Minnesota Mining and Standard Oil of California. The table cites the record of each company.

Of course, many others feel no strain whatever in paying out far more than 50% of net to stockholders, since their cash needs are not nearly so great as others. This is particularly true of companies with strong finances and of utilities, whose business is not generally subject to wide swings.

In the matter of yield, it will be noted that the return is as little as 2.3% (Florida Power & Light) and only one pays as

(*Please turn to page* 460)

Portfolio Offering Monthly Income

	Indicated 1955 Div. Rate		Months Payable			Recent Price	Div. Yield
American Home Prod.	$3.30	*				86	3.8%
American T. & T.	9.00	Jan.	April	July	Oct.	179	5.0
General Electric	2.00	Jan.	April	July	Oct.	53	3.7
Wrigley (Wm.) Jr.	5.00	*				92	5.4
American Can	2.00	Febr.	May	Aug.	Nov.	46	4.3
Gen. Public Util.	1.72½	Febr.	May	Aug.	Nov.	37	4.6
American Tobacco	4.40	Mar.	June	Sept.	Dec.	80	5.5
Gen. Amer. Trans.	2.82½	Mar.	June	Sept.	Dec.	65	4.3
Ingersoll Rand	3.00	Mar.	June	Sept.	Dec.	63	4.7
Nat'l Dairy Prod.	1.60	Mar.	June	Sept.	Dec.	39	4.1

* Pays dividends each month.

25 Companies With Repeated Dividend Increases

	No. of Consecutive Years Some Div. Paid	No. of Years Co. Has Increased Dividend 1946-55	% Earnings Paid In Cash Dividend	Price Range 1953-1955	1954 Earnings Per Share	1954 Div. Per Share	1955 9 Months Earnings Per Share	1955 Indicated Full Year Div.	Recent Price	Div. Yield
AMERICAN HOME PRODUCTS **W.C. (mil.) 1946—$44.8** **W.C. (mil.) 1954—$63.0**	35	8	63%	96-36	$4.21	$3.00	$3.94	$3.30	86	3.8%
CENTRAL & SO. WEST CORP. **W.C. (mil.) 1946—$3.3** **W.C. (mil.) 1954—$2.6**	8	7	51	36-18	2.00	1.20	1.51	1.34	36	3.7
CONTINENTAL CAN **W.C. (mil.) 1946—$73.0** **W.C. (mil.) 1954—$82.3**	32	6	44	85-41	5.52	2.70	5.38	3.00	82	3.6
CONTINENTAL OIL **W.C. (mil.) 1946—$ 30.9** **W.C. (mil.) 1954—$114.2**	21	6	53	105-48	4.28	2.60	3.53	2.85	100	2.8
CROWN ZELLERBACH **W.C. (mil.) 1946—$32.3** **W.C. (mil.) 1955—$97.2**	18	9	61	57-19	2.32	1.95	1.63[1]	1.53[2]	55	2.7
DIXIE CUP **W.C. (mil.) 1946—$ 3.9** **W.C. (mil.) 1954—$17.3**	26	8	30	64-31	4.05	1.80	3.90	1.80	56	3.2
DOUGLAS AIRCRAFT **W.C. (mil.) 1946—$58.4** **W.C. (mil.) 1955—$81.5**	17	7	64	91-26	9.80	4.33	6.33	4.00	89	4.4
DU PONT **W.C. (mil.) 1946—$264.2** **W.C. (mil.) 1955—$585.6**	51	7	76	249-91	7.34	5.50	6.24	7.00	226	3.1
FLORIDA POWER & LIGHT **W.C. (mil.) 1946—$—** **W.C. (mil.) 1954—$—**	11	9	51	48-16	1.75	.87	1.58	1.02	43	2.3
GENL. AMERICAN TRANSPORT. **W.C. (mil.) 1946—$19.4** **W.C. (mil.) 1954—$36.9**	36	6	55	69-31	4.79	2.62	3.83	2.82	66	4.2
GENERAL ELECTRIC **W.C. (mil.) 1946—$389.6** **W.C. (mil.) 1954—$323.7**	56	7	60	56-22	2.30	1.47	1.63	1.60	54	3.0
GENERAL FOODS **W.C. (mil.) 1946—$ 94.8** **W.C. (mil.) 1955—$195.5**	33	6	56	93-50	5.29	2.75	3.52[1]	3.10	93	3.3
GENERAL MOTORS **W.C. (mil.) 1946—$ 768.7** **W.C. (mil.) 1955—$2,183.2**	40	6	58	54-17	3.02	1.66	3.28	2.16	45	4.7
GENERAL PUBLIC UTILITIES **W.C. (mil.) 1946—$—** **W.C. (mil.) 1955—$—**	13	8	53	39-23	2.42	1.70	2.00	1.73	37	4.6
GILLETTE CO. **W.C. (mil.) 1946—$15.2** **W.C. (mil.) 1954—$32.9**	49	9	54	45-16	2.77	1.75	2.26	2.00	40	5.0
GOODRICH (B. F.) **W.C. (mil.) 1946—$113.3** **W.C. (mil.) 1955—$230.9**	16	9	33	79-30	4.40	1.60	3.66	1.90	79	2.4
HALLIBURTON OIL WELL **W.C. (mil.) 1948—$4.7** **W.C. (mil.) 1954—$6.7**	8	7	45	69-23	3.95	1.90	3.55	2.00	64	3.1
INGERSOLL-RAND **W.C. (mil.) 1946—$ 38.8** **W.C. (mil.) 1954—$100.6**	45	8	64	66-26	3.80	2.50	3.30	3.00	66	4.5

1—6 months.

2—Plus 50% stock dividend.

25 Companies With Repeated Dividend Increases (Continued)

	No. of Consecutive Years Same Div. Paid	No. of Years Co. Has Increased Dividend 1946-55	% Earnings Paid In Cash Dividend	Price Range 1953-1955	1954 Earnings Per Share	1954 Div. Per Share	1955 9 Months Earnings Per Share	1955 Indicated Full Year Div.	Recent Price	Div. Yield
LILY-TULIP CUP W.C. (mil.) 1946—$ 4.9 W.C. (mil.) 1954—$17.3	26	7	34%	65-25	$3.03	$1.20	$2.83	$1.50	51	2.9%
MINNEAP'LIS-HONEYWELL REG. W.C. (mil.) 1946—$20.3 W.C. (mil.) 1955—$81.0	27	8	59	70-26	2.42	1.30	1.79	1.50	62	2.4
MINNESOTA MINING & MFG. W.C. (mil.) 1946—$22.1 W.C. (mil.) 1954—$62.2	39	8	39	115-42	2.95	1.30	2.99	1.65	102	1.6
NATIONAL DAIRY PRODUCTS W.C. (mil.) 1946—$ 97.9 W.C. (mil.) 1954—$166.7	31	8	54	43-28	2.77	1.55	2.22	1.60	39	4.1
NATIONAL LEAD W.C. (mil.) 1946—$ 55.8 W.C. (mil.) 1955—$109.1	49	9	65	90-25	3.05	2.10	2.86	2.85	85	3.3
STANDARD OIL of CALIF. W.C. (mil.) 1946—$ 90.3 W.C. (mil.) 1954—$282.2	43	6	43	98-49	7.04	3.00	5.52	3.00[3]	91	3.3
WINN-DIXIE STORES W.C. (mil.) 1946—$ 2.6 W.C. (mil.) 1955—$18.6	21	10	50	27- 8	1.12[1]	.52	.28[2]	.66	23	2.8

[1]—Year ended June 30, 1955. [2]—12 weeks ended September 17, 1955. [3]—Plus stock.

American Home Products: Aggressive producer of pharmaceuticals, diversified drugs and packaged foods raised the monthly dividend with January payment to 25 cents. Sharply higher net and sales point to higher payout in 1956 by this company, whose record is outstanding.*

Central & South West Corp.: November quarterly of 35 cents marked rise from 33 cents. Continued growth of areas served by this utility, reflected in increased customer use of electricity, augurs higher dividend by 1957.*

Continental Can: Expanded operations of this second largest metal-container maker and largest fiber-drum producer give promise of another banner year. A rise in the 75-cent quarterly rate and 2 for 1 split announced.*

Continental Oil: Raised quarterly dividend to 75 cents from 70 cents with December payment. Benefits from offshore and Canadian interests along with higher prices for crude and refined products point to higher payout over near term.*

Crown Zellerbach: Acquisition of Gaylord Container by this second-ranking paper producer should develop an even better dividend return. Raised dividend to 45 cents from 40 cents with January payment.*

Dixie Cup: Despite rise in paper costs, continues to boost net profit. Ability to offset higher costs through efficiencies and expanded volume should permit rise in 45-cent quarterly dividend rate in 1956.

Douglas Aircraft: Despite large cash needs to handle tremendous volume of military and commercial jet business, this leading aircraft manufacturer could easily boost dividend.

Du Pont (E. I.) de Nemours: Strong prospects for split and slightly higher payout on year for this highly diversified industrial giant, which has huge stake in General Motors.

Florida Power & Light: Boosted dividend to 30 cents from 25 cents at end of 1955. Fast-growing area it serves should generate higher net for company and enable it to make another boost within year.

General American Transportation: Raised dividend and voted extra at close of 1955. Action reflects rising revenues from lease of freight cars. This trend, plus rise in freight-car ordering, should boost net this year, with payment topping 1955.

General Electric: Despite impact of price squeeze on many of its products, outlook is for higher sales and net in 1956. The 50 cents to be disbursed at the close of January compares with 40 cents paid previously and points to higher return for 1956*

General Foods: Company should begin to derive larger benefits from convenience-food items and "broad horizon" products. Raised dividend to 85 cents from 75 cents in December, pointing to better return for 1956. A stock split is probable.

General Motors: Giant of the giants may not equal car-sales showing of 1955, but its other vast interests should take up much of slack. Return to shareholders should at least equal last year's total.

General Public Utilities: Major stake in growing Pennsylvania and New Jersey areas portends steady growth for its operating subsidiaries. Brilliant dividend record should set new high in 1956.

Gillette Co.: Highly aggressive sales and promotion along with recent acquisitions promise new peak in sales and net. Favorable long-term policy to stockholders should be carried over into current year.

Goodrich (B. F.): A higher payment in 1956 is the prospect for this outstanding producer of rubber products and diverse items. Benefits should increase from its stake in the chemical industry.

Halliburton Oil Well Cementing: This company, which furnishes a variety of services to oil producers, has had an uninterrupted growth since 1942. Another in a long series of dividend hikes is likely this year.

Ingersoll-Rand: This leading producer of capital-goods machinery has an outstanding record of dividends and earnings in a field where business activity is subject to wide swings. Payout this year should top 1955.*

Lily-Tulip Cup: Modest proportion of payout leaves room for yet another increase in dividend by this topnotch company, which has unceasingly pursued a policy of widening markets through promotion and research.

Minneapolis-Honeywell: Highly-diversified producer of regulators and controls has boosted volume fourfold since 1948 and should top 1955 disbursements this year with extra or quarterly boost.*

Minnesota Mining & Mfg.: This maker of diverse products has had an amazing growth in postwar decade with introduction of rather simple products with widespread appeal. Modest ratio of dividends to earnings leaves room for another boost.

National Dairy Products: Kingpin of the food processors enjoying steady growth. To keep pace with growing markets, has spent $363 million in postwar years on plant and equipment. Gains under this policy should be reflected in even higher dividends over near term.*

National Lead: Wide range of growth products developed by its research and productive facilities is a trade mark of this company, whose dividend record is outstanding. Liberal policy points to even higher payout this year.*

Standard Oil of California: This investment-type issue has an enviable record of dividend payments. A rise or cash extra that would top the $3 disbursed in 1955 is a reasonable expectation.*

Winn-Dixie Stores: This fast-growing supermarket chain has compiled an amazing record of dividend boosts in the postwar decade. In view of conservative payout policy, another modest rise looms for 1956.

* Above-average potential for long-term appreciation.

Standard Oil of New Jersey's Expansion Program for 1956

Prepared for Exclusive Publication in The Magazine of Wall Street by officials of the Standard Oil Company of New Jersey

(Editor's Note: Originally planned for inclusion in the article "1956 Expansion Programs of Leading Companies" which appeared in the last issue, we decided, on account of its unusual scope, to publish it separately in this issue.)

Capital requirements of the oil industry in its various branches of activity have reached tremendous proportions in recent years. The increasing size of these investments reflect the nature and scope of the industry's operations, its sharp rate of growth, and its position as supplier of one of the modern world's basic commodities.

The 1956 capital and expenditure programs of the operating affiliates of Standard Oil Company (New Jersey), for example, add up to an impressive $1.1 billion. These are the companies whose accounts are consolidated and which are owned more than 50 per cent. In addition, another approximately $100 million is represented by Jersey Standard's share of the expenditures of companies in which it has an interest of one half or less.

The total of $1.2 billion is the largest amount ever budgeted by the company's affiliates in a single year for all phases of industry operations. This vast investment program can be regarded as a measure of Jersey's confidence in the future, not only the future of the oil industry but also in the general world economic outlook.

The company is convinced that the world's need for oil will continue to rise for many years to come, making large expenditures necessary. To keep abreast of this increasing demand requires more developed reserves, larger refining capacity, and expanded transportation and marketing facilities. Since the end of World War II, the Jersey Standard organization has invested $6 billion, and it is anticipated that expenditures on an even greater scale will be required in future years.

A part of the increased expenditures of recent years has been due to the rise in costs. Higher costs have affected the oil business as they have virtually all other sectors of the economy. The oil industry now pays substantially more for the equipment, supplies, and services that are needed in our operations. For example, in spite of increased efficiency, cost of drilling an oil well in this country is currently at least 75 per cent greater than it was 10 years ago.

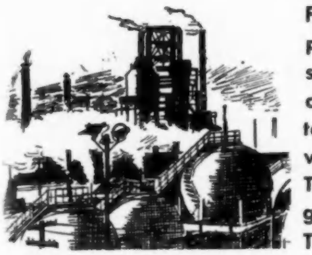
As a world-wide average, it is estimated that the industry must spend on the order of $4,000 for each barrel daily to find, develop and transport the production, refine the crude, and deliver the finished products to the ultimate consumer. When it is considered that the industry is looking forward to a rise in Free World consumption from the present 14,200,000 barrels per day to 28,000,000 barrels per day in 1975, it is possible to gain an idea of the magnitude of the financial outlay the industry must make. It is likely in this connection that this $4,000 figure will continue to increase in years ahead as a result of more difficult and less rewarding exploration, higher costs, and other factors.

Effect of New Uses

The expectation that oil consumption will virtually double in the next 20 years is entirely in line with the history of past oil industry growth. In fact, forecasts of oil demands often turn out to be too low. In 1935, the countries that now make up the Free World were using oil at a rate of only

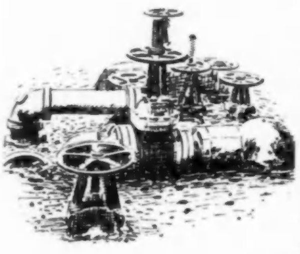
Highlights of SONJ Expansion Program

1 WILL PROVIDE OWN FINANCING



Funds to provide for new capital expenditures will be supplied by subsidiaries and affiliates of the parent company. For affiliates which are unable to finance their own expansion, funds wll be provided by the parent company. This can easily be done in view of the great financial strength of the latter. The only exception to financing from internal resources will be in the case of several affiliates which will borrow marginal amounts of capital, mainly in Europe.

2 HOW EXPENDITURES ARE DISTRIBUTED

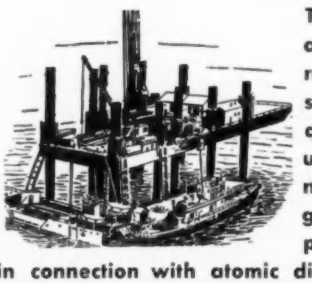


The company, together with its affiliates, expects to spend about $1.2 billion in 1956 on capital improvements. About half will be appropriated for production and exploration. The remainder will be utilized for refining operations, marketing and transportation. The distribution of expenditures will hold for the major geographical areas in which the system operates. Including expenditures of $475 million in the U. S., about $950 million will be invested in the Western Hemisphere.

3 ACTIVITIES IN LATIN AMERICA AND NEAR EAST

In response to rapid industrialization and population growth of Latin America, the company's affiliates operating in this important region are making comprehensive long-range plans to meet future demand. This calls for substantial expenditures for all types of operations. In the Near East, a vital center of operations for Jersey Standard affiliates, outlays will amount to $250 million. The company recognizes the risks attached in this politically unstable part of the world.

4 THE ATOM AND OIL



The company does not see the atom as a threat to the petroleum industry but rather as a co-ordinate in the task of supplying the world's future fuel requirements. Officials believe that as the use of nuclear energy increases, technology will be advanced and this will generate use for liquid fuel. The company is devoting large sums to research in connection with atomic discoveries as it realizes the part this new science will play in its operations.

4,300,000 barrels daily. As high as this may have seemed at the time, present consumption is more than three times greater. If present long-range predictions are borne out the increase in oil consumption over the 40-year period from 1935 to 1975 will amount to 550 per cent. This growth record is one of the oil industry's most dynamic and interesting aspects.

Predictions of future oil demand necessarily are based on foreseeable conditions. One factor that cannot be easily foreseen is the effect of new uses and applications that may be developed in the future. The liquid hydrocarbons that were called rock oil in Colonel Drake's day have come a long way. Oil's early expansion was based in the use of kerosene chiefly as lamp oil. Then came the age of the automobile which made gasoline the industry's "money crop." The last 20 years have seen a tremendous growth in the consumption of distillate oil for home heating.

A generation ago the petrochemical industry, which uses oil and natural gas as raw materials, was in its infancy. Today it is a significant outlet. The advent of the jet engine with its needs for fuel is another illustration of new and changing markets. Research is the key to many of these developments. Among the numerous companies in the oil industry, the spirit of competition characterizes research just as it does other phases of petroleum activity.

In view of the world's tremendous energy requirements and the prospects that they will continue to rise in years ahead there should be no fear of displacement by other sources of fuel and power. It seems likely that the world will need to draw from all available and reasonably economic sources of energy if still higher standards of living and prosperity are to be attained. Coal, oil, hydroelectric power, as well as less conventional energy supplies, can share in meeting future requirements.

To Jersey Standard, the atom is not a threat but rather a partner in the task that lies ahead. The company's studies indicate that nuclear energy will make a small but growing contribution to energy needs in the future years and by 1975 should be con-

(*Please turn to page* 460)

BEHIND THE POLITICAL SCENES

By "VERITAS"

SECY. DULLES may be given credit for a "good try," and nothing more, in his effort to lift foreign policy from the battleground of politics. He received only one substantial endorsement from the democratic side, and that was diluted with politics. Senator Walter George of Georgia, facing a tough re-election fight against the Talmadge machine seconded the Dulles proposal. George was not unmindful of the Eisenhower influence within the southern democratic wing and he was quick to align himself.

> ### WASHINGTON SEES:
>
> Almost lost in the welter of partisan political discussion of the past several weeks was a matter of major impact upon domestic and world affairs with heavy overtones of business application: the President has given his assurance that far from letting down, national defense moves will be accelerated, and the opposition party has given a rousing second.
>
> The decision looks reality in the eyes. It recognizes that Russia has been moving ahead with land, sea, air, and nuclear arming while delaying matching progress in the democracies with a smile that masks a sneer.
>
> The Defense Department has bi-partisan indorsement of a plan to spend $1 billion more next year, building the defense budget to $35.5 billion. The aircraft industry will go on the double in some departments to keep in step with a program accounting for about one-half the total outlay. By aircraft is meant not only the industry of a decade ago but also its missile developments and the Air Force, last of the three, will be given as much money as the other services combined.
>
> Coupled with build-up of the military arms will be an increase in foreign aid—all types. There is talk of a $5 billion figure, but it's not likely to run that high. Higher military cost may challenge tax cutting but isn't regarded fatal to that objective.

BIPARTISAN UNITY is an expression that doesn't invite argument. How it is to be attained is something else. And when the very idea of no criticism of the Administration in the vastly important field of world affairs was broached the debate on whether it is a proper issue was enough to make it one, if it weren't already. Dulles did his cause no service by grounding his appeal for a nonpartisan approach upon a plainly partisan stand: "The admirable record of the republican party." What democrats saw him asking was not truce, but indorsement.

SLOGANEERING, as has been true many times in the past, worked against the purposes it was intended to promote. "Peace and Prosperity" tied together as a campaign call-to-arms didn't permit the highly controversial subject of prosperity (in the farm belt especially) to be divorced fully from peace and the foreign relations involved. And the democrats were not giving up on the prosperity challenge simply to be nice about foreign affairs. Excuse, or reason, that's how it stands.

BACKSTOPPING the attack on GOP claim of prosperity with statistics on farm income, and pinning the label of failure on the program of foreign relations by citing the evaporated Spirit of Geneva, the democrats also were readying their perennial: Big Business is Bad! House Anti-trust Committee report that Business is Bad! House Anti-trust Committee report that Business has bored from within the Commerce Department through the Business Advisory Council was a major policy step. Committee vote was along straight party line. GOP may take up the challenge of formal probe. They'd carry it back through the New-Fair Deal.

As We Go To Press

President Eisenhower may surprise his party by a much earlier announcement than had been expected. And if it comes soon, it will be the declination to seek a second term which has been in the cards since he was felled by a heart attack in Denver. Time works in favor of Vice President Richard Nixon and the converse equally is true: if Ike takes himself out of the race before Feb. 1 he will make it increasingly difficult for Nixon to make the grade for top spot. The longer the Californian stands as the principal target the more certain that he can be shot down politically by his rivals.

The Nixon support is strategically sound and strong. It is made up of republican party office holders — state and big city chairmen who have built their own prestige on acceptances by Nixon to speak under their auspices. They are the ones who attend national conventions, or control delegations. Whatever doubts persist as to the national election, there is no doubt that today he would be hard to beat in a convention. Democrats profess to hope Nixon will be nominated. That being so, it is difficult to understand the fervor of their attack, since it might defeat their purpose. The GOP can hardly nominate one consistently pictured as vulnerable and easy-to-beat.

President Eisenhower's mid-December trip to Walter Reed Army Hospital in Washington, D.C., for physical checkup probably erased the last chance of a second candidacy. Ike was told to take it easy. He was pronounced physically unable to handle the amount of work he had been undertaking in preceding weeks. That schedule was light. It included daily conferences, one speech (by telephone), no public appearances, no press conferences or other taxing stints. Messages to Congress were under consideration but drafting was, where it always is, in the hands of the agencies and White House scriveners. It was light work diet, certainly not to be compared with the regimen of a candidate or a President. But it brought a warning that probably was graver than the formal announcements pictured.

Health condition and outlook will fix the timing of the big news from Gettysburg. Pleas from prospective nominees won't do it. Men close to Ike say he owes the party nothing; he didn't, they insist, seek its favor and when he was elected it was the McCarthys, the Knowlands, the Langers, etc., the men in his own party who gave him most trouble. So, if a sense of duty impels him to make the announcement early it will be only to allow time for a choice of successor-nominee not a desire to promote those who are demanding he speak now.

Those who say General Eisenhower must not be counted out of candidacy have one strong supporting point. In the New Hampshire presidential primary an Eisenhower slate of candidates is shaping up — with the full consent of Sherman Adams, "Assistant President" and closest confidante of the Chief Executive. That primary takes place March 13. If Ike does nothing to stop a vote on his behalf two conclusions would be invited: 1. He wants to run again. 2. He wants to hand-pick the GOP nominee. Deadline for filing slates in New Hampshire is Feb. 2.

The New Hampshire situation may be a holding technic. Certainly no other republican would stand a chance if Ike is in. Unless, that is, it becomes clearly evident that the President is preempting the field to turn the gains over to another, Nixon for example. The State has Favorite Sons and would prefer to have them in a bargaining spot at the Convention. Of course there is another school of reasoning in the party, one which contends the talk of timing is waste chatter. They remind that there was a fast field of republican candidates in 1940, but 1 week before the national convention, Wendell Willkie wasn't even an avowed or

declared aspirant. Three days before the meeting he telephoned Rep. Charles A. Halleck and asked the Congressman to make the nominating speech. Willkie vaulted to convention victory over months-long planning by several so-called front runners.

Robert F. Wagner, New York City's Mayor, seems to have ended whatever chance Governor Averell Harriman might have had to get the democratic presidential nomination. Wagner wants to be the vice presidential nominee of the democrats, he has made it known. Tammany Boss Carmine de Sapio is the probable winner of whatever the Empire State stands to gain: he can promise to deliver the Nation's biggest state on alternative programs. By the time the convention adjourns he will have commitments, whether he places a candidate on the ticket or not. If he doesn't have something big in his political bag, how he became Tammany boss should be a subject of political scientist research. Wagner's announcement was recent but his aspirations came early. This year he toured Europe. Knowledge of world affairs, gained on the ground, now is claimed.

The groping for a program on the success of which may rest the farm economy, and its votes, continues to produce debate but no solution. The GOP high command appeared to think that statistics on what might come if patience prevails was a good substitute for higher cash income. It was demonstrable that the Benson Plan was not chargeable with the current plight of the farmer, but the benefits weren't showing. And results are being demanded.

To the city dweller, the "farm problem" may be regarded a perennial gripe and a tried and proven lever to pry out of Congress and the taxpayers another station wagon with white sidewall tires. Even if that were true, the farm bloc is too potent to dismiss with wisecracks: it involves 13 states, which produce four-fifths of the country's corn, three-fifths of its wheat, more than one-half of its livestock, and also produces 167 of the 531 votes in the Electoral College! In this politically and economically potent segment of the country there is uniform discontent as incomes continue to drop, and cost of things the farmer must buy go skyward.

On the day that a prize hog was presented in great fanfare for the Gettysburg farm, the hog farmers were reading market quotations in their agricultural journals: pork 50 per cent under prices prevailing 18 months ago. It wasn't as bad as in 1920 and early 1930's when bankruptcies were common and the red auction flag was draped over many farm gates. But the farmers weren't content that it wasn't "quite as bad"; they were hearing about unprecedented good times, wondered where? The cause of it all was the same now as then: overproduction. The cure wasn't that easy to find.

Sometime, and soon, Congress must come up with a "plan." It seems inescapable that the plan must be based on subsidy — a two-price system for wheat, direct payments as contemplated by the Brannan Plan, or retirement from cultivation of acreage which the Department of Agriculture would lease from farmers.

City-bred farm "experts" in political headquarters are concentrating their thoughts on a political solution. They are in virtual agreement that six of the 13 farm states would go democrat if the election were to take place today (the republicans took all 13 in 1952.) The chances of the demmies might be lessened some, but not fatally perhaps, if Ike were to head the GOP ticket. Those veering most from the Administration are Indiana, Minnesota, Ohio, Missouri, Oklahoma, and Texas. They have a total of 94 electoral votes and that's one-third the number a party needs to win.

The republicans never have suffered heavy inroads into these 13 states and won a Presidential election; Harry S. Truman won with eight of the 13 in spite of the fact that the republicans made history by cutting deeply into the Solid South. How they vote will determine which party controls Congress. That could be true regardless of which elects the President, although the likelihood is that the same party will take both ends of Pennsylvania Avenue.

FOREIGN TRADE SHIFTS IN 1956

By V. L. HOROTH

Seldom have the prospects for foreign trade looked as favorable as they do now as the new year begins. This statement is all the more significant in view of the fact that U. S. foreign trade in 1955 was unexpectedly large. Exports of non-agricultural products were close to the 1947 record despite growing foreign competition. Exports of agricultural products were better than in 1954, but in general below postwar levels, reflecting, of course, the greater self-sufficiency in food around the world. Imports in 1955 broke all previous records.

Altogether some $25 billion worth of goods are estimated to have been exchanged in 1955 between the United States and the rest of the Free World, and prospects are that this record will be topped in 1956. So much for foreign trade values. As for physical volume, which has been near all-time peak levels for some time, this record too is expected to be bested in 1956.

The belief that merchandise will continue to increase in 1956 may be justified in part by the steady upward trend in the international exchange of goods which trend reflects primarily the growth of prosperity through the Free World and confidence that a thermonuclear contest between the West and Communist powers may never take place.

Prospects for 1956 Merchandise Imports

More specific underlying factors pointing to a likelihood of a new record for U. S. foreign trade in 1956 include: the booming business activity here; the continuation of economic expansion in Western Europe, though at somewhat slower pace, and an unprecedented developmental activity throughout the Free World aimed at raising the productivity of underdeveloped countries. One may also include the proposed expansion of U. S. foreign aid, though the effects may not be felt until later in the year. This is an outgrowth of the new phase of the cold war which, following the brief "Geneva truce", is likely to be marked by an economic contest for uncommitted neutralist countries of Asia and Africa, rather than by an atomic weapons contest.

Merchandise imports for the first ten months of 1955 ran at an annual rate of around $11¼ billion, substantially above the 1954 figure of $10.2 billion and slightly above the previous record of $10.9 billion established in 1951. This increase in the value of imports is especially significant because the prices of raw materials, which constitute the bulk of U. S. imports, are in general considerably below the Korean boom peaks.

Moreover, 1955 imports were quite selective despite record business activity and consumer purchasing power here. For example, as a result of consumer resistance we spent during the first eight months of 1955 some $200 million less for coffee than in the same period of 1954. We also bought less sugar and cocoa. Although the cost of our 1955 copper imports was higher than in 1954, largely due to rising prices, we spent less on other nonferrous metals and also on ferro-alloys. Most of these were in none too plentiful supply and were attracted by higher prices to booming European economies. With these exceptions to which chemicals may be added, all our other imports rose during 1955 by more than one billion dollars. Rubber, which was also substantially higher in price, came for the largest share of the increase, along with petroleum products, textile fibers and manufactures, machinery and miscellaneous manufactures, newsprint and paper products, and, above all, lumber and sawmill products, which were attracted to this country by record construction activity in the face of virtually unchanged domestic production.

Some of these import trends indicated in 1955

Summary of U. S. Trade
(In Billions of Dollars)

	Full Year 1953	Full Year 1954	10 Months 1954	10 Months 1955
Total Exports	15.8	15.1	12.5	12.8
Less: Military aid	3.5	2.3	2.1	1.1
Equals: Commercial exports	12.3	12.8	10.4	11.7
of which: Agricultural	2.8	3.0	2.4	2.6
Non-agricultural	9.5	9.8	8.0	9.1
Total Imports	10.8	10.2	8.4	9.3
of which: Agricultural	4.2	4.0	3.3	3.3
Non-agricultural	6.6	6.2	5.1	6.0

U. S. Exports by Selected Products or Groups
(In Millions of Dollars)

	Full Year 1953	Full Year 1954	8 Months 1954	8 Months 1955
Grains and preparations	1,059	747	496	645
Tobacco	341	303	134	164
Cotton, raw	517	780	507	356
Vegetable oils, fats, oilseeds	173	303	164	172
Coal and products	346	312	188	292
Petroleum and products	498	431	290	297
Steel Mill products	494	515	328	509
Sawmill products, paper and mfrs.	261	344	218	290
Machinery and metal mfrs.	3,090	2,934	1,963	2,073
Motor vehicles and parts	963	1,036	716	857
Textile manufactures	640	621	415	418
Chemicals and related products	800	983	641	701

U. S. Imports by Selected Products or Groups
(In Millions of Dollars)

	Full Year 1953	Full Year 1954	8 Months 1954	8 Months 1955
Coffee	1,469	1,486	1,064	851
Cocoa	167	252	172	137
Sugar	425	409	340	313
Crude rubber	332	262	168	280
Raw wool	296	223	155	181
Other textiles	630	572	370	469
Petroleum and products	762	828	535	659
Sawmill products	236	252	155	217
Paper and paper materials	936	926	605	638
Ferro-alloys	321	236	171	154
Copper	433	361	257	262
Tin	259	175	119	118
Steel mill products	251	116	75	85
Machinery and vehicles	353	359	251	288
Chemicals and related products	293	249	174	171

will no doubt carry into 1956, providing, of course, that business activity continues upward, and inventory policies and price levels remain about the same. It's generally expected that some food imports, especially coffee, cocoa, and sugar, will have to be stepped up in 1956. We will also need larger raw material imports if business activity continues to expand even moderately.

Imports of newsprint, paper products, lumber and sawmill products, for which we draw chiefly on Canada, are bound to cost us more, not only because of rising prices but also because of steadily expanding demand which no longer can be satisfied at present prices from domestic production. If motor vehicle production holds, more rubber will have to be brought in, and possibly at higher prices if communist countries enter the market. With stockpiles needing attention, the cost of nonferrous metal and ferro-alloy imports is likely to be up in 1956. More textiles and miscellaneous manufactures may also be bought in as production abroad, especially in Japan, gathers momentum. The domestic chemical industry, too, may face greater competition from foreign imports. On the other hand, imports of petroleum products, which in 1955 reached an annual rate of almost one billion dollars as against $828 million in 1954, may either level off or be cut down to the same proportion to domestic crude output as existed in 1954, if the recommendation of the Presidential Advisory Committee is followed.

Other U. S. Spending Abroad

With import prospects greater for most items on the list, it seems quite likely that total 1956 imports may be at least 5 per cent higher than in 1955, reaching 11¾ billion. Moreover, it is expected that other U. S. spending abroad will also increase in 1956, which, of course, is a good omen for exporters.

U. S. tourist expenditures should certainly establish another record in 1956, and no doubt foreign shipping will also earn more dollars from expanding tourist traffic and exchange of goods. Miscellaneous U. S. government expenditures abroad connected with the maintenance of our troops, the building of defense installations, and the maintenance of our representatives abroad have been running in recent years at an annual rate of around $2.8 billion, being as such largely responsible for the fact that foreign earnings of dollars have exceeded foreign dollar spending. No appreciable decline in this spending is foreseen, although the countries benefiting from this spending may change. Spain, for example, ought to be one of the chief beneficiaries during the year ahead, as the building program there gathers momentum.

Foreign economic aid, which was expected to decline in 1955, actually increased, largely because the armistice in Indo-China made it possible to shift some of the spending for military hardware to more constructive spending for consumer and capital goods. As has been pointed out, the new phase of the cold war may very well result in stepped-up spending for economic aid in 1956.

Still other sources of dollars for foreign countries are Export-Import Bank and World Bank loans and private investment capital. Again, in view of a new phase in the cold war, some increased institutional lending may be expected. The building of the High Dam on the Nile and other development projects in the Near East would assure this.

The outflow of private investment capital in 1955 was again disappointing, the bulk of the capital going to Canada or for exploration or development of petroleum resources around the world. Other favorites continue to be certain West European countries and African colonies. The situation is unlikely to change as long as splendid investment opportunities continue to be present at home and in Canada, and while many of the capital-hungry countries of Southeast Asia continue to flirt with socialism and to restrict the operations of certain

industries and the exploitation of natural resources to the Government or to their nationals.

Foreign Willingness to Spend Dollars

In summing up, it would seem on the strength of the outlook for U. S. merchandise imports and the prospects for other U. S. spending abroad as well as new capital investing, that the overall supply of dollars likely to be available to foreigners in 1956 may be from $500 to $1,000 million larger than in 1955, ranging possibly from $21 to $22 billion. Two questions of major importance for U. S. exporters need to be answered at this point; what portion of the above amount foreign countries intend to spend for purchases of U. S. merchandise, and how much they intend to set aside for the building up of the gold and dollar reserves — or, as developed in 1955, how much of their 1956 dollar earnings they intend to use in buying U. S. equities.

Although it is dangerous to generalize, it may be said that in 1955 foreign countries as a group were inclined to spend the dollars they obtained in their dealings with the United States rather liberally. At any rate the nest egg of dollars which they may be expected to add in 1955 to their reserves is likely to be only about $500 million as against $1.6 billion in 1954 and $2.2 billion in 1953. The spending on U. S. merchandise was more liberal because many countries apparently deemed their gold and dollar reserves to be comfortable enough for their needs. Other countries had to spend more on U. S. merchandise imports because their nationals, as their purchasing power expanded, demanded more automobiles and more household equipment. Still other countries imported more U. S. machinery, equipment and steel mill products because their capital investment activity is gathering momentum.

What will be the dollar-spending tendency of foreign countries in 1956? The amount likely to be set aside for the building up of gold and dollar reserves may be expected to be about the same as in 1955 with the exception of the sterling area countries which need to replenish their London gold and dollar pool. Some of the Southeast Asia countries, such as the Philippines, and some of South American Republics also need to add to their reserves if they are not to operate on a shoe-string basis. On the other hand, Venezuela, Western Germany, France and the Low Countries are in a position to spend freely all the dollars that they earn.

Though the dollars likely to be set aside for the building up of reserves may not be much larger than in 1955, foreign countries may invest a larger share of their earnings than in 1955 in U. S. and Canadian securities. This is not a new development. Prior to the Second World War, many foreign countries, notably Great Britain, permitted their nationals to invest in dollar equities so as to assure themselves of a steady independent source of dollars.

Outlook for 1956 Exports

Assuming that dollar-spending tendencies of foreign countries will not differ much from those in 1955, one may expect that foreign purchases here in 1956 will be about $500 to $1,000 million larger, or roughly by the same amount that our spending for imports and foreign services may be expected to increase. Such an increase would put the U. S. 1956 merchandise exports at $14¾-$15¼ billion. This would make them the largest commercial exports on record, excluding even the total for 1947 when the world-wide shortage of food resulted in our agricultural exports alone reaching the figure of $3.9 billion.

Exports of farm products in 1956 may again show some improvement, as did 1955 exports over the 1953 and 1954 figures. But should improvement occur, it is likely to be the result of Secretary Ezra T. Benson's pushing the liquidation of farm surpluses of grains, butter, and other products at almost any cost, by *(Please turn to page 464)*

U. S. Trade by Selected Areas and Countries

(In Millions of Dollars)

	U.S. Exports				U.S. Imports			
	Full Year		9 Months		Full Year		9 Months	
	1953	1954	1954	1955	1953	1954	1954	1955
Western Hemisphere								
Canada	2,996	2,766	2,069	2,424	2,462	2,375	1,747	1,944
Latin America								
Coffee countries	763	995	743	586	1,453	1,400	1,058	890
Caribbean countries	1,746	1,773	1,307	1,343	1,313	1,349	1,061	1,130
All others	413	420	288	354	676	540	427	408
Total Latin America	2,922	3,188	2,338	2,283	3,442	3,289	2,546	2,428
Western Europe								
Great Britain	591	688	441	662	546	501	367	435
West Germany	355	491	332	433	277	278	200	258
All others	1,923	2,169	1,505	1,909	1,473	1,258	896	991
Total Western Europe	2,869	3,348	2,278	3,004	2,296	2,037	1,463	1,684
Overseas Sterling Area	913	941	682	806	1,155	1,021	784	913
Near East	274	256	200	278	150	135	102	121
Japan	671	678	539	463	262	279	202	302
All others	1,003	1,018	754	671	1,106	1,071	821	912
Total	11,648	12,195	8,860	9,929	10,873	10,207	7,665	8,304

a—excluding special categories

WHAT IS FORD STOCK WORTH?

By ROGER CARLESON

By now, probably more people know more about the Ford Motor Co.—capital structure, earnings, dividends, profit margins, salaries of top officials and dozens of other details—than any company extant, no matter how long its shares may have been in public hands. This is not surprising, since not even General Motors, American Telephone & Telegraph or United States Steel, when they were brought to market, had the imposing stature of the Ford Motor Co., 1955 Model. Indeed, no offering of stock to the public has ever assumed the magnitude of this one by the Ford Foundation, which was set up by the Ford family in 1936 for scientific, educational and charitable purposes.

While the registration statement filed December 21 with the Securities and Exchange Commission has taken care of details hitherto shrouded in utmost secrecy, it has raised numerous questions, to each of which there is invariably more than one answer. Investors are asking (as they never have asked about any other equity) whether the stock should be bought here. They also are asking, with almost as great frequency, why the Ford Foundation has decided to sell—and at this time. There are many more queries, such as "the investment stature" of Ford and how the company stacks up alongside GM and Chrysler as a "buy." It is with such questions that we propose to deal at length.

The "Why" Of The Ford Sale

There is no lack of virtuosos in analytical arithmetic who look with considerable skepticism on this stock sale, even though not a dime of the proceed will go to the company. Not a few cynics are saying the Foundation has chosen this juncture to "unload on the public" because market conditions never were better and the prospectus would show the company's business at an all-time peak.

To be sure, the time is excellent from the standpoint of the seller, so propitious in fact that the 10.2 million shares of stock to be offered this month represent an increase of 47% over the 6.9 million shares which the Foundation announced last November it planned to sell. But strong demand for an equity is only what any investor would desire for himself in selling off a part of his own holdings. And he would have no more assurance than the Foundation that the market outlook would be even brighter at some future date.

One may be certain only that if the stock had been offered in the late 1930's, when the company was floundering badly, the durable doubters would have had no trouble discerning a plan to unload on the public because disaster impended.

Truth of the matter is that this stock offering neither stems from a desire to unload on the public nor an eleemosynary gesture to the investment community by the Foundation, whose world-wide philanthropies never were designed for Wall Street. Sale of part of these holdings (the Foundation owns 88% of the company's stock) has been a goal of the Foundation for several years as part of a program to diversify its investments. Since its broad major aim is "advancing human welfare," this largest of private charitable organizations feels it must not rely on a single industrial entity to provide the wherewithal for this work in all seasons. A contributory reason could be the growing dissatisfaction in Congress with the tax-exempt status of foundations endowed exclusively with the stock of family-owned corporations.

Of course, the Ford Foundation is not tipping its hand (it would be the choicest tip imaginable), but its investment advisory committee may be counted on to emphasize income rather than capital gain, using part of the proceeds from this sale to evolve a balanced investment portfolio that includes stocks, bonds and Government obligations. The skeptical Omars already are wondering what the Foundation will buy that is "one-half so precious as the goods they sell."

The above is a facsimile of the original Ford Motor Company stock certificate for 255 shares of $100 par value, issued to Henry Ford in 1903 when the company was organized.

As a sort of footnote, it should not be lost on the investor that the quest for steady income over the years has prompted the Foundation to attain a diversified portfolio. It is no less vital for the individual investor, whose resources are modest, to build similarly if income is to be guarded.

Bulk of Holdings Retained

Returning to the program of the Foundation, it will be noted that while 10.2 million shares of its Ford stock will be sold to the public, it will retain 36,148,620 shares, with no vote. Thus, it will retain slightly more than two-thirds of the share total, with the public acquiring slightly more than 20% and the remaining 12% still lodged with the Ford family and allied interests. Obviously, the major concern of the Foundation will continue to be the fortunes of the Ford Motor Co. Of course, the Foundation could (and doubtless will), over the years, sell off additional shares of Ford stock.

At a stockholders' meeting prior to the offering, slated for January 18, the Ford Motor Co. plans to reclassify the company's stock. This will bring the total number of shares outstanding to 53,461,470 out of 215 million authorized. Reclassification will produce three classes of stock — voting common, voting Class B and non-voting A, the last being shares still held by the Foundation.

The Ford family and allied interests will hold 6,480,750 new class B shares with 40% of the total vote, ample for effective controls. Directors and officers outside the family will have 632,100 shares of the new common with 3.5% of the total vote. The public, with its 10.2 million shares, will hold the remaining 56.5% of the voting power.

Dealers in products of the Ford Motor Co. and "certain" employes will be given the chance to buy the stock at the initial public offering price. It has not been disclosed to date how many shares will be allotted to these groups, or who the "certain" employes are. This still is in the planning stage. Dealers entitled to take advantage of the offering are those who market the company's cars and trucks, as well as tractors and farm implements. Combined total of all of these dealers is 10,500.

Ford Profit Margins

A major consideration in assaying the Ford stock (estimates on the offering price range from $65 to $75 a share) is the corporate profit margin. Net return on sales for the first nine months was 7.7%, against 5.6% for the full year 1954 and 8.6% in 1950. This margin is better than that of Chrysler Corp. and not far below that of GM. In 1950, an especially good year for the Big Three automotive producers, Chrysler earned 5.9% on sales and GM earned more than 11%. In subsequent years, the Chrysler margin fell below 3% while GM remained above 6.8%, except for 1953 when the Excess Profits Tax took a heavy toll of earnings.

Sales for the nine months ended September 30 totaled $4,042,600,000 and net profit was $312.2 million, equal to $5.85 a share. The company is believed to have had an excellent fourth quarter, although there was some flagging of the hectic productive pace in the closing days of the year, pointing to per-share earnings for the year of about $8.

Assuming earnings of $8 per share for the year just ended and estimating the price of the stock to be offered at $72, Ford would be selling at about nine times earnings. Based on the $3.27 per share paid in dividends last year (dividend for the first quarter of 1956 has been put at 60 cents), the $72 price would mean a yield of about 4.5%. Ford, it will be noted, paid out little more than 40% of its net in dividends. Compare these figures with its competitors:

Chrysler should earn about $12 a share for 1955. Selling around 90, it figures out to 7.5 times earnings. Based on the $4 in dividends last year, it is priced to yield about the same as Ford. Chrysler paid out only one-third of its net to shareholders.

GM should show something like $4.50 for 1955 and, priced around 46, is selling at slightly more than 10 times earnings. Based on the $2.17 in dividends per share (on new stock growing out of split) paid last year, the yield is 4.7%.

Measuring the Giant

For those investors who have a strong preference for the giants and blue chips, Ford should have a strong attraction. Its total assets are in excess of $2.4 billion, making it the third largest manufacturing entity in the land, outranked only by GM and United States Steel Corp. Total capital and surplus at September 30 was $1,840,000,000. This equals a book value of about $34.40 a share. Even these astronomical sums do not alter the fact that even this giant will require seasoning in the marketplace. It should, of course, develop investment stature in time. (*Please turn to page* 464)

IMPORTANT INFORMATION ON FORD STOCK

Capital Securities

The Company has no funded debt or short term loans. Its capital stock as of December 1, 1955, adjusted to give effect to the reclassification is as follows:

Title of Issue	Authorized Shares	Outstanding Shares
Common Stock, par value $5	125,000,000	10,832,100*
Class A Stock, par value $5	75,000,000	36,148,620
Class B Stock, par value $5	15,000,000	6,480,750
Total capital stock	215,000,000	53,461,470

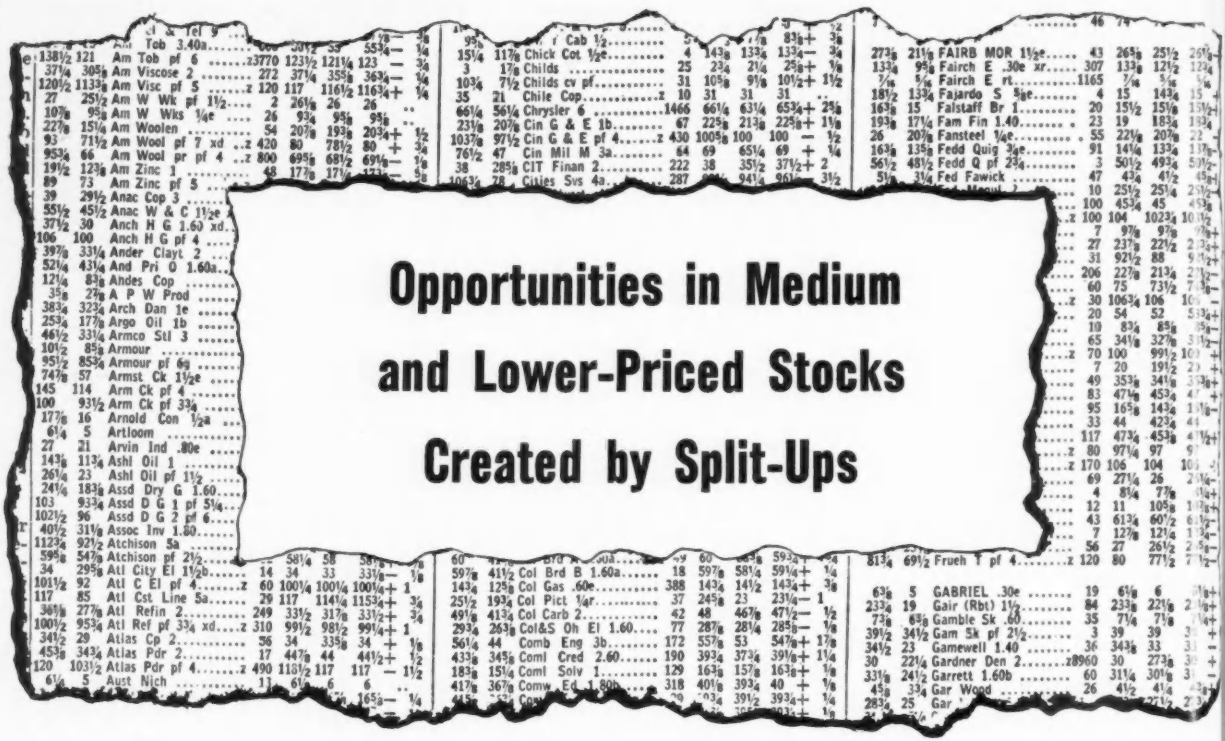
**Excluding 15,000 shares held in the Company's treasury. Additional shares may be issued under outstanding options and certain Company plans. Shares of Class A Stock may be converted into or exchanged for Common Stock, and shares of Class B Stock may be converted into Common Stock.*

Dividends

In 1955, dividends were paid equivalent to $3.27 per share of the Company's capital stock outstanding December 1, 1955, as adjusted to give effect to the Reclassification, of which amount $1.31 per share was considered extra dividends.

The Board of Directors of the Company has adopted a resolution stating an intention to declare a dividend of 60¢ per share for the first quarter of 1956 and thereafter to consider the matter of dividends quarterly, subject to business conditions and the operating and financial position of the Company.

Opportunities in Medium and Lower-Priced Stocks Created by Split-Ups



By HENRY NILES

The subject of stock split-ups is a source of never-ending interest to investors and this has been particularly true of the past year which witnessed a record-breaking number of splits by companies ranging in size from the giants to those of quite moderate dimensions. In a number of instances, profits through stock splits have been of spectacular proportions as readers know who have been following The Magazine of Wall Street's "Candidates for Stock Splits".

It is important to note that once the split has been effected, stock market activity in the shares generally subsides. The additional shares traded in on the market through the increase in common stock capitalization normally require a considerable period in which to be fully digested, and during this period, it is not unusual for the split shares to seek a lower market level. This gives investors who may have missed the opportunity to buy shares before they were split a new opportunity at prices more in keeping with their investment tastes (and pocketbook).

In order to point attention to interesting situations in stocks which have been split and which are now available at levels more in conformity with the earnings and dividends of the companies, we have made a special survey of all stocks listed on the New York Stock Exchange during 1954 and 1955, which are now selling in the medium and lower-price ranges. This is a special group and does not include stocks which were split during the period but which, even after the split, are selling in the higher price range owing to new advances after the split.

Among the medium and lower-priced stocks which have been automatically reduced to more appealing price levels through preceding split-ups, are a number which have become attractive again, either because their yields have improved as compared with those prevailing at the time of the split-up or because of revived potentials for price appreciation. In a number of instances, both merits exist. In some cases, yields have improved not only, obviously, because the price of the shares are lower but because cash dividends have been increased subsequent to the split-up.

Of the forty-odd stocks listed on the N. Y. Stock Exchange which are again available at more or less attractive price levels, following their market declines after the split-up, we have selected twenty-two, either because their dividend yield is relatively substantial, under present market conditions, or because of their appreciation potentials for the longer-term. In certain cases, we have starred those stocks that appear to have above-average prospects.

Since practically all of the 22 issues have been covered in some detail at one time or another in recent months, it does not seem necessary to repeat at this time. In future issues, of course, the issues will again be covered, either independently or in conjunction with the industrial or market groups to which they belong.

We believe the table which accompanies this analysis will be found useful by subscribers. It contains all the essential statistical information; those parts of the table showing a comparison between prices of shares before the split-up, their subsequent lows and the current price should be more than ordinarily interesting to investors. For convenience, we have rated each stock according to its desirability as to yield and appreciation. —END.

22 Selections from Split Stocks

	Rate of Split	Price at Date of Split	Subsequent Low	Recent Price	1954 Net Per Share	1954 Div. Per Share	1955 Estimated Net Per Share	1955 Indicated Div. Per Share	Current Yield	Rating
Armstrong Cork	3—1	34	26⅛	29	$2.32	$1.33	$2.75	$1.50	5.1%	B
Beneficial Finance	2½—1	20¾	19⅜	20	1.55	.96	1.70	1.00	5.0	A
Carolina Pwr. & Light	2—1	21½	20⅛	25	1.63	1.00	1.70	1.10	4.4	B
Columbia Broadcast. "A" & "B"	3—1	27¾	22¼	25	1.56	.63[1]	1.75	.80[1]	3.2	*
Consol. Nat. Gas	2—1	36½	31¾	35	2.67	1.25	2.70	1.50	4.3	B
Corn Products Ref.	3—1	28	26	29	1.75	1.28	1.80	1.33	4.5	B
Florida Pwr. & Light	2—1	35¾	32	37	1.75	.87½	2.00	1.20	3.2	*
Great Northern Rwy.	2—1	29⅜	27	42	4.21	2.10	5.00	2.35	5.5	B
Household Finance	2—1	34¾	26½	28	2.30	1.20[1]	2.50	1.20	4.2	B
Idaho Power	2—1	31¼	27	33	1.80	1.10	1.90	1.20	3.6	*
Life Savers	2—1	28½	24⅞	25	1.94	1.30	2.05	1.35	5.4	A
Lowenstein (M.)	2—1	22	22	28	2.50	1.02	3.75	1.25	4.4	*
Marquette Cement	2½—1	34⅜	34⅜	37	2.08	1.04	2.85	1.20	3.2	*
Miss. River Fuel	2—1	29⅜	27	29	1.75	1.20	1.90	1.40	4.8	A
Nat'l Dairy Prod.	2—1	38¼	35½	38	2.77	1.55	2.85	1.60	4.2	B
Ohio Oil	2—1	35¼	30½	34	2.91	1.50	3.05	1.60	4.7	*
Penn-Dixie Cem.	3—1	33⅜	29⅞	34	2.24	.91	2.65	1.00[1]	2.9	B
Ruberoid Co.	2—1	34½	33⅛	35	3.13	1.75[1]	3.25	2.00	5.7	A
Texas Gulf Sulphur	3—1	41½	36⅜	37	3.05	1.83	3.20	2.00	5.4	A
Texas Utilities	2—1	36	35	38	1.93	1.04	2.15	1.28	3.3	B
West Penn. Elect.	2—1	27	23¼	26	1.88	1.15	2.05	1.30	5.0	A
Western Union Tel.	4—1	25½	20	22	1.85	.75	2.15	1.00	4.5	B

[1]—Plus stock

RATING: A—Recommended for yield
B—Recommended for long-term appreciation
*—Above-average potentials

Progress Report on Depressed Industries—No. 3:

Meat Packing Companies

By J. C. CLIFFORD

A majority of the meat packers, having turned in their reports on 1955 fiscal year operations, present enough evidence to show that results for the year ended last October 31, justified the better feeling that prevailed throughout the industry in the early months of the fiscal year. The fact that earnings of all reporting meat packers were up, from moderate to substantial, over 1954 fiscal year was not a complete surprise. In our article titled "Can Meat Packers Recover?", appearing in the January 8, 1955 issue of The Magazine, we said: "Right now, there appears to be a good base for optimism. Supporting this outlook is the expected sustained high level of disposable national income and a large and expanding market supply of cattle and hogs for processing into beef and pork. This improved supply of raw materials, especially hogs, can reasonably be expected to produce more favorable results for the packers in 1955 than were realized during the 1954 year."

Prospects for the 1956 fiscal year appear to be equally promising. Indications are that there will be little change in the marketings of cattle and calves in this year from the volume in the year just closed. Because of the estimated increase in the 1955 fall pig crop and the expectation that the 1956 crop will vary little from that of the previous year, it is very likely that there will be a moderate increase in the number of hogs coming onto the market. This means that livestock slaughter and meat production should hold close to the 1955 record high of 26.9 billion pounds made up of approximately 15.2 billion pounds of beef and veal, 10.9 billion pounds of pork, about 750 million pounds of sheep and lamb. According to U. S. Department of Agriculture estimate, the current year's meat production will run around 27 billion pounds. This figure, however, is believed by some in the industry to be moderately conservative. In any event, the USDA figure appears large enough to indicate that meat, especially beef and pork in the current fiscal year will be in plentiful supply for a growing population that increased its meat consumption in 1955 to 161 pounds per capita, the highest in 47 years.

1956 Prospects

With continuing high levels of employment and consumer buying power, this uptrend in meat consumption is expected to be maintained through 1956; and may possibly be above the average of the last few years as expected continuously attractive prices encourage increased consumer buying. Moreover, this anticipated consumer demand, together with ample cattle and hog marketings, assuring heavy volume operations for the meat packers, form a combination that should be favorably reflected in current year operating results.

Ample supplies of raw material, expected stable prices and good demand in 1956 constitute only part of the factor that make the outlook good for the meat packers. Of great importance in improving the status of the packers is the substantial progress in carrying out plant modernization programs and the increased advantages being realized from locating branch plants in regions of increasing populations. Underlying the improving showing of the packers is the continuing expansion of allied

food lines, including frozen products and ready-to-eat or heat-and-serve products, sales of which are being stimulated by merchandising techniques of the modern supermarkets.

It would be over-optimistic to believe that the meat packers have freed themselves from the many weaknesses that have long troubled the industry. Though practically all issues in the group have some way to go before achieving investment stature, continuing uptrend in population points to a growing market for the industry's meat and other products, presaging continued growth for these companies. We present comments on several of the group as follows:

Armour & Co., stands out quite prominently because of 1955 upsurge that carried net earnings to $10,108,000, equal to $2.49 a share from $1,?57,000, or a deficit of 35 cents a share in the previous year, after preferred dividends. This year's earnings result, startling by comparison with 1954, reflects the improved situation especially because of the increased hog supplies, and the greater efficiency Armour has achieved through its plant modernization program, including installation of the latest in scientific packaging and processing machinery. Significant contributors to the company were its Auxiliaries Group of industries, comprised of the soap, chemical, adhesive and ammonia divisions, and a growing demand for the products of its dairy, poultry and margarine products. Although Armour's 1955 balance sheet is expected to show strong finances there does not appear to be any immediate prospects for common dividends inasmuch as preferred dividends are in arrears in the amount of $18 a share.

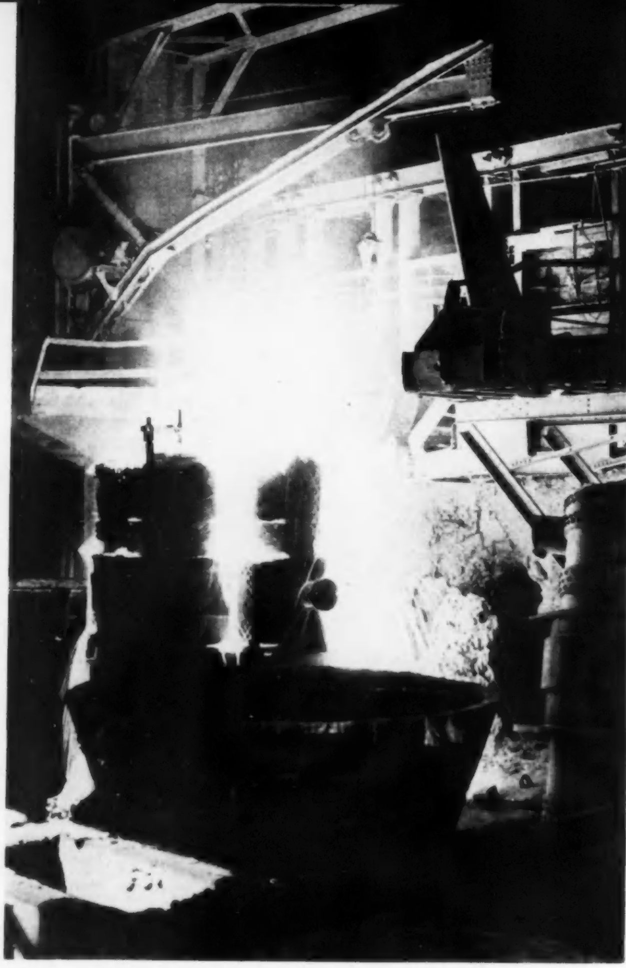
Swift & Co., observed its Centennial in 1955, by ringing up sales and other income totaling $2.408 billion. While this sum fell short of matching the previous year's $2.515 billion, sales tonnage reached a new all-time high and net earnings climbed from $19 million or $3.22 a share for 1954 to $22.8 million, equal to $3.87 a share. After payment of $2.50 in dividends in fiscal 1955 on its capital stock, Swift had a little more than $8 million of the year's net earnings for reinvestment in the business. Contributing to 1955 progress were the continued good earnings from plant food and related products. Other output increasing in volume are industrial oils and fat derivatives, soaps, detergents, and adhesives, as well as hide and leather in which gains also were scored. Another important development in Swift's varied activities is the introduction, in limited markets, of frozen foods prepared and packaged to meet today's consumer demand for "convenience" foods. The group is comprised of frozen meats in a number of varieties, frozen poultry and fruit pies. These developments reflect Swift's continuous and expanding research in new and improved products and new methods designed to serve its customers better. Some of the fruits of these efforts are frozen, precooked fried chickens, oven-ready stuffed turkeys and giblet gravy introduced last year, and an exclusive Swift packaging process for boneless ham and various table-ready meats. Swift which has paid dividends in every year, except for 1933, since 1885, closed fiscal 1955 with strong finances. Current assets, including cash of $30 million, totaled $301 million, or 2.57 times current liabilities of $117.1 million.

Wilson & Co., as a result of profitable fiscal 1955 operations, has restored its common stock to a dividend basis by the declaration of four cash payments of 12½ cents each, payable quarterly beginning with February 1, 1956. In addition, common stockholders of record January 13 will receive a special dividend of 3% in stock along with the initial cash distribution, the first since June, 1952. Although Wilson has not as yet released its 1955 earnings report, it has stated that declaration of dividends was in recognition of improvement in of the company's financial structure and operations during the past year. In this connection, it is estimated that the 12 months to last October 31 was one of the best in Wilson's history, net earnings being calculated at better than $4 million, or about $1.46 a share as compared with $3.1 million, or $1.03 a share for the common in the previous year. Contributing to the good showing were higher tonnage sales, improved profit margins, helped by ample hog supplies, as well as by operating efficiencies through modernization program and plant rearrangement and relocation programs, continuing increasing benefits of which should be apparent in the current fiscal year. —END

Statistical Data on Meat Packing Companies

	1953		1954		1955				
	Net Per Share	Div. Per Share	Net Per Share	Div. Per Share	Net Per Share	Indicated Div. Per Share	Price Range 1954-1955	Recent Price	Div. Yield
Armour & Co.	$1.81	$ —	[d]$ .35	$ —	$2.49	$ —	17¼- 8⅝	17	—%
Cudahy Packing	.06	—	[d] 4.94	—	1.46	—	9¾- 4⅜	8	—
Hormel, G. A. & Co.	5.73	2.50	3.41	2.50	7.30	2.50	58 -47¼	58	4.3
International Packers	1.60	.60	.94	.60	.35[3]	.60	17 - 9⅝	13	4.6
Morrell, John & Co.	.54	.50	.64	.50	3.36	.50	23⅛-11¾	22	2.2
Swift & Co.	5.72	2.40	3.22	3.00	3.87	3.00	52½-41¾	47	6.3
Wilson & Co.	.98	—	1.03	—	1.46[1]	....[2]	15⅝- 8	15	—

[d]—Deficit. [1]—Estimated. [2]—Declared $.12½ cash and 3% stock payment payable Feb. 1, 1956.
[3]—First 6 months.



Comparative Analysis—

3 Leading Steelmakers

- **INLAND**
- **NATIONAL**
- **ARMCO**

By JOHN D. C. WELDON

A set of triplets may bear close physical resemblance to each other, but differ slightly in other respects. This is true of many of the large integrated steel companies. Basically, they are steelmakers and are competitive either nationally or on a regional basis so far as many of their end products are concerned but in some respects many of them, including Armco Steel, National Steel, and Inland Steel, ranking among the top ten of the nation's steel producers, are more or less specialists either in the types of steel produced or in certain end products.

Armco Steel Corporation, the eighth largest of the domestic steel companies, for example, has followed a policy established in its early days by concentrating creative efforts on the development and production of high-quality, special-purpose steels, ranging from basic open hearth to electric furnace steels. Over the years, Armco's research activities have resulted in a number of pioneering achievements. These include development of non-aging steels; steels with coatings of aluminum, asbestos or zinc; and steels with controlled magnetic qualities. Since the beginning of the postwar period and the rapid progress in electronics, guided missiles and high-speed aircraft, Armco in intensifying research has added to its line of steels by developing new steels with special magnetic properties for use in radar and other electronic equipment; new stainless steels to meet special requirements in the construction of guided missiles and supersonic airplanes; and improved oriented electrical steel to increase the efficiency of electrical transformers. These products have further increased the company's highly diversified line of special steels and also expanded its already long list of manufactured and fabricated products.

Armco Steel's Growth

Product expansion has been paralleled by Armco's growth, especially in the postwar years, through its modernization and expansion program involving capital expenditures of approximately $312 million in the 10 years to the end of 1955. These funds came largely from retained earnings, depreciation, and approximately $32.5 million realized in 1951 from the sale of common stock. Exclusive of $25 million borrowed to retire a like amount of preferred stock, the net increase in long-term debt since 1945 to the close of last year, amounted to a little more than $29.7 million.

In this same period, total assets of the company were increased from $206.9 million to $490.1 million, a gain of 136 percent, with common shareowners' equity expanding by approximately 115 percent, or from $158 million to $339.6 million. Ingot capacity of 3.23 million tons in 1946 had been raised by 1954 to 4.9 million tons and when new facilities, construction of which began in the current year are com-

pleted early in 1957, ingot capacity will have been brought up to 6.126 million tons. To finance this program, involving approximately $111 million capital expenditures, Armco expects to obtain a substantial part of necessary funds from earnings and depreciation aided, if needed, by $50 million in a revolving credit fund which will be available through arrangements with a group of 18 commercial banks.

Almost all of Armco's plants will share in the expansion program. About 60% of the increase in steel making will be at the company's largest plants at Middletown, Ohio, which together with the Zanesville and Hamilton, Ohio, plants serve the important Mid-continent area. The remaining 40% increase will be at the Sheffield Division's Houston, Texas, Sands Springs, Okla., and Kansas City, Mo., plants. The program also provides further increases in processing and finishing facilities, increasing output and further raising operating efficiency, resulting in cost savings that should be reflected by a still higher return on invested capital amounting to $403.7 million at the end of 1954. In that year, net earnings of $41.1 million were equal to approximately 10.98% of invested capital and were 7.72% of $532 million of net sales. This compares with 5.76% in 1953 net earnings as a percentage of sales, the 1954 gain being made despite the fact that operations fell to 90.8% of ingot capacity as against 97.8% in the previous year. As a further index to Armco's increasing operating efficiency, 1954 net earnings on about $56 million lower sales volume from 1953, rose to $3.98 a common share from $3.25 for 1953. Both figures are after giving effect to the June, 1955, 2-for-1 stock split.

On the basis of operating results for the first nine months it is evident that Armco will set new record highs in both sales and net earnings for 1955. In the first three-quarters, operations were at an average rate of 101.8% of capacity and net sales hit $508.7 million, or 28.3% over sales of $396.4 million in the nine months to September 30, 1954, in which net earnings of $29.1 million were equal to $2.80 a share, adjusted for the stock split. In the first nine months of 1955, net earnings amounted to $45.3 million, or $4.28 a share, presaging net for all of this year at close to $5.60 a share. Although it has strong finances, its 1954 year-end balance sheet showing net working capital at $143.2 million dividends on the common stock during the coming year will probably be held to the 60-cent quarterly rate, increased from 45 cents, with payment in the 1955 final quarter, in view of the expansion program now under way.

National Steel Corporation

National Steel Corporation ranks as the fifth largest of the nation's steelmakers. Hot- and cold-rolled sheets and strip are among its most important products but National is also prominent in the manufacture of tin plate and other types of steel with protective coatings as well as its "N-A-X" line of low alloy, high tensile steels produced in bars, shapes and flat rolled products for use in applications requiring greater strength, less weight and greater resistance to shock or abrasion.

Together with its steelmaking subsidiaries—the Weirton Steel Co., with plants at Weirton, W. Va., and Steubenville, Ohio, and the Great Lakes Steel Corp., whose steel plant at Detroit is strategically located to supply the automotive industry—National Steel, at the beginning of this year, had brought its ingot capacity up to 6 million from approximately 3.9 million tons since the end of 1945. This is an increase of about 53.8%, achieved through capital expenditures totaling almost $400 million since 1946, for the expansion of blast furnace and open hearth capacity and increasing manufacturing and fabricating facilities, and raw material sources.

Last year, National's property additions, including investments in affiliated raw material companies amounted to $59.9 million and followed 1953 expenditures of $72.5 million which included a new $35 million Great Lakes (*Please turn to page* 454)

Statistical Comparison

ARMCO STEEL CORP.

CAPITALIZATION:*	
Long Term Debt (Mil.)	$ 64.0
Preferred Stock (Mil.)	None
Common Stock (No. of Shares)	5,229,574
Total Surplus (Mil.)	$287.3
Working Capital (Mil.)	$143.2
Book Value (Per Share)	$ 32.52

	Net Sales (Millions)	Earnings Per Share	Div. Per Share
1946	$231.9	$2.68	$ .62½
1947	311.6	3.72	1.00
1948	382.5	3.98	1.00[1]
1949	341.3	3.84	1.25
1950	439.2	5.88	2.00
1951	534.8	3.35	1.50
1952	518.5	3.01	1.50
1953	588.9	3.25	1.50
1954	532.0	3.93	1.50
1955 (9 mos.)	508.7	4.28	1.95†

Price Range 1954-55	55¼-16⅝
Recent Price	55
Indicated Dividend	$1.95
Indicated Yield	3.5%

* Bal. sheet items as of Dec. 31, 1954.
† Indicated full year 1955 dividend.
1 Plus stock.

INLAND STEEL CO.

CAPITALIZATION:**	
Long Term Debt (Mil.)	$ 97.0
Preferred Stock (Mil.)	None
Common Stock (No. of Shares)	5,215,967
Total Surplus (Mil.)	$209.2
Working Capital (Mil.)	$158.1
Book Value (Per Share)	$ 55.29

	Net Sales (Millions)	Earnings Per Share	Div. Per Share
1946	$217.7	$3.18	$1.83
1947	315.0	6.10	2.50
1948	392.7	7.88	3.00
1949	345.8	5.11	3.00
1950	459.2	7.76	3.50
1951	518.6	7.02	3.50
1952	458.0	4.85	3.00
1953	575.5	6.90	3.50
1954	533.1	7.92	3.75
1955 (9 mos.)	481.4	6.67	4.25†

Price Range 1954-55	91½-40⅞
Recent Price	86
Indicated Dividend	$4.25
Indicated Yield	4.9%

** Bal. sheet items as of Dec. 31, 1954.
† Indicated full year 1955 dividend.

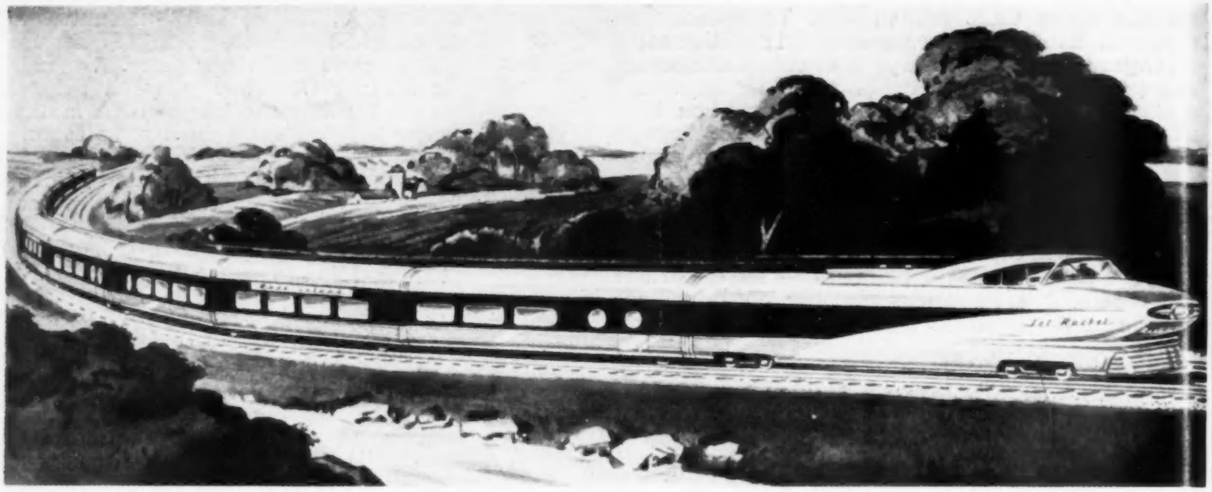
NATIONAL STEEL CORP.

CAPITALIZATION:***	
Long Term Debt (Mil.)	$ 55.0
Preferred Stock (Mil.)	None
Common Stock (No. of Shares)	7,379,000
Total Surplus (Mil.)	$311.2
Working Capital (Mil.)	$124.4
Book Value (Per Share)	$ 52.52

	Net Sales (Millions)	Earnings Per Share	Div. Per Share
1946	$239.7	$3.05	$1.08
1947	328.9	4.01	1.33
1948	436.5	5.45	1.66[1]
1949	424.8	5.34	1.83
1950	537.0	7.88	2.85
1951	618.4	6.16	3.00
1952	548.6	5.11	3.00
1953	634.1	6.71	3.25
1954	484.0	4.13	3.00
1955 (9 mos.)	462.5	4.68	3.25†

Price Range 1954-55	77½-46
Recent Price	71
Indicated Dividend	$3.25
Indicated Yield	4.5%

*** Bal. sheet as of June 30, 1955.
† Indicated full year 1955 dividend.
1 Plus stock.



ACF Industries Inc.

A Study in Diversification

By JOSEPH C. POTTER

In our present-day industrial economy, diversification of corporate product has become as fashionable as the newest Dior and Dache creations, but at ACF Industries it is a story that goes back as far as the last century, when the company emerged from an amalgamation of a dozen small, scattered car-building enterprises. That, of course, was horizontal diversification—taking regional car-builders, which were serving railroads in their respective areas, and forging a single top management, a single sales organization, a single research group and, in all, effecting the kind of economies an industrial monolith permitted.

While this far-reaching action created a strong organization, it left unanswerable the problem of periodic jolts, an occupational disease peculiar to railway-car manufacture. Like all builders of rolling stock, a field in which it ranks second only to Pullman, ACF (or American Car & Foundry, as it was known for a half century) down the years took the bumps as a servant of the carriers. ACF was the first among its colleagues to seek a cure. Its movement into other fields antedated other makers of railway equipment for, back in 1922, it acquired the Carter Carburetor Corp., which gave ACF a sizable stake in the up-and-coming automotive industry.

This wise move away from sole dependence on the railroads did not solve all the problems of ACF, although it was a step in the right direction. The fact remains that as recently as 1949, 80% of total volume came from carrier business. A better appreciation of the vulnerability of a company primarily dependent on railroad business will be gained when it is recalled that the carriers, through the years, tended to build a growing share of their rolling stock in company-owned shops. While ACF did not read the handwriting on the wall with the speed of a Daniel, it moved fast once a decision had been reached.

These last few years have been marked by a spirited scramble to put the major emphasis on lines alien to its traditional business. By turning to atomic energy, electronics, oilfield equipment, engineering and research, ACF whittled the volume of railway business by last year to less than one-third of the over-all take. Now, the railroads loom, once again, as a major customer, but this is not due to any reversal of the company's diversification philosophy, but rather to the dire need of the carriers to expand rolling stock and replace obsolete and worn-out cars.

Diversification has taken hold in every industry over the last decade, with companies driven by the urge to round out the product line, acquire new products, get into a growth field, step up the profit margin, or just to turn a medium-size company into a giant. Looking backward, it will be seen that for the makers of railway equipment there was no election of choice—it was diversify or die. Everybody in this business went in for diversity. One company (Pressed Steel Car) started to diversify in 1949 and never stopped until it had gotten completely out of the rail-equipment business.

A turn in the fortunes of ACF came that same

The Jet Rocket, four-car train (each car consists of three articulated units) for the Rock Island. This is the first lightweight train to be ordered by an American railroad, and is scheduled for service this month. The New Haven has also ordered a similar train from ACF.

year, when the company started contract work for the Atomic Energy Commission. In the intervening years, the Nuclear Energy Products Division, operating three plants (two at Buffalo and another at Albuquerque, N. M.) with 2,000 employees, has come to assume an important role in this dynamic field. Since the work, in Pentagon parlance, is "classified," little can be said, but ACF is not unaware of the growing promise of commercial application, nor the valuable atomic know-how that has been gained.

Just two years ago, another important milestone was passed with creation of ACF Electronics, staffed by the top men from the electronics division of the National Bureau of Standards. Today, at a plant in Alexandria, Va., the company is producing electronic modules, which many makers of television and radio sets believe will revolutionize their business. One of the leading manufacturers in the field has adopted this module and expects to have full production early this year.

These modules were developed in the post-war period by the Government, to which original patent applications were assigned. ACF took over the group of the Bureau of Standards engineers and technicians who originated the item. It has spent two years and more than $1 million improving the module and redesigning the Alexandria plant into an improved, full-scale production line. Plans have been made for increasing the rate of output of modules to a million monthly. Typical of the sort of economies that the module promises is the supplanting of 150 separate parts in a TV set by only 14 modules. The advent of the more complex color TV set is expected to prove a bonanza for the module.

Modules, of which we shall be hearing much in the Electronics Age, are slightly smaller than an ordinary radio tube which, incidentally, rests on it. In production, the module starts out as a ceramic wafer that possesses electrical, mechanical and heat qualities — ideal for electronic application. Next, component elements such as capacitors, resistors and inductors are applied. These finally are linked by wire to form a compact combination of the supporting elements for an electronic. A tube socket is attached to the module.

Early in 1953, Avion Instrument Corp. was purchased to mark the first step into the field of applied electronics by ACF. Today, Avion has expanded substantially at Paramus, N. J., and is engaged in important research, development and production work on "classified" products. Work includes development of computers, fire-control systems, navigational instruments and radar beacons.

An Oilfield Fixture

Prior to 1954, ACF had been making lubricated plug valves in its Detroit plant and other types of valves for pressure tank cars in the tank-car plant at Milton, Pa. In April, that year, ACF bought the W-K-M Co. of Houston, one of the leading companies in the high-pressure steel valve industry, serving the oil and gas industries. The company calculates that three of every four oil and gas wells in the world is controlled by its valves. ACF plug valves are used extensively in such varied industries as paper mills, chemical plants, ammonia plants, pipelines, sewage plants and refineries.

ACF paid some $7 million for the Houston firm, whose facilities now are being expanded. Substantial growth is envisioned for this wholly-owned subsidiary. Profit margins are satisfactory.

Last summer, all property and assets of Key Co. were acquired by ACF by exchanging one share of

ACF INDUSTRIES, INC.

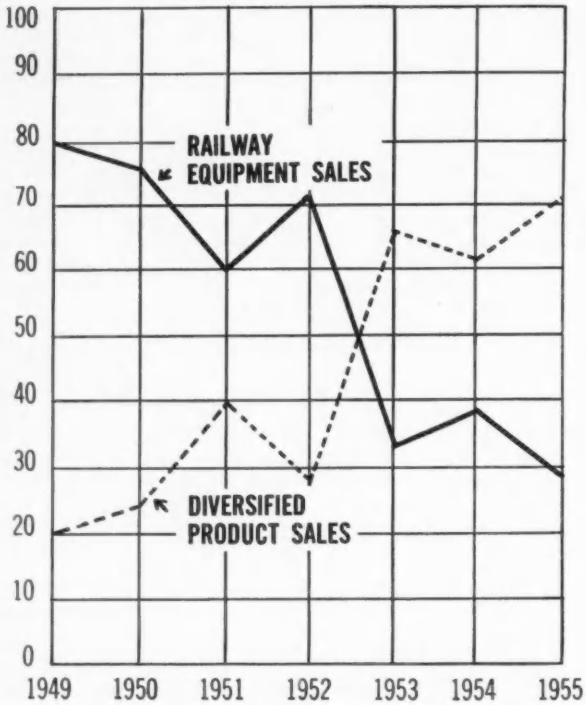
Consolidated Income Account

	April 30 1954	April 30 1955
	(000 omitted)	
Net sales & rentals	$245,087	$190,774
Cost of operations	208,388	155,618
Selling, adm. & research exp.	14,220	16,446
Depreciation	3,803	4,523
Operating income	18,676	14,186
Fed. inc. taxes	8,558	6,200
Excess prof. tax	901	....
Prov. defd. Fed. tax	269	....
Income & exps., net	1,170	1,131
NET INCOME	$ 7,778	$ 6,855

Please Note: Owing to the recapitalization of ACF Industries in Nov. 1954 a comparison of income and balance sheet figures of recent date and those of preceding years is not entirely adequate. For that reason, we have limited these tables to a comparison of 1954 and 1955, as offering a more realistic description of the company as it now stands.

Comparative Balance Sheet

ASSETS	April 30 1954	April 30 1955
	(000 omitted)	
Cash	$ 10,110	$ 18,228
Marketable securities	13,456	6,255
Receivables, net	28,002	27,268
Accrd. unbilled chges.	1,944	6,736
Inventories	41,775	47,101
TOTAL CURRENT ASSETS	95,287	105,588
Net Property	54,151	63,056
Car purch. options	906	....
Invest. & adv.	063	1,727
Other assets	2,701	2,447
TOTAL ASSETS	$153,108	$172,818
LIABILITIES		
Debts payable	$ 685	$ 21,951
Accts. payable & accru.	23,020	22,681
Accrued taxes	11,865	10,290
TOTAL CURRENT LIABILITIES	35,570	54,922
Reserves	7,391	....
Minority interest	002	....
Long term debt	5,930	8,904
Preferred stocks	28,945	23,519
Common stock	18,149	21,433
Surplus	51,121	64,040
TOTAL LIABILITIES	$153,108	$172,818



its common stock for each four shares of Key. Thirty thousand shares of ACF were involved. Key is an important manufacturer of high-pressure, high-temperature fittings for oil refineries, chemical plants and power plants. Thus, it will complement the growing activities of W-K-M.

Two years ago, when it was in a frantic buying mood (the railroads were buying nothing), ACF bought Engineering & Research Corp., now known as the Erco Division. Seven miles northeast of the nation's capital, the plant builds simulators for more types of military aircraft than any other manufacturer. Its backlog is estimated at $30 million.

Rail Ties Never Forgotten

While ACF got away from sole dependence on the railroads a generation ago, it has never lost sight of the importance to the company of this segment of the business. Indeed, its foothold in the electronics field should enable it to serve the carriers with an ever-increasing line of new products in the age of the push-button railway yards and its atomic applications could, in the distant future, offer a whole new array of services to its oldest customer.

In its last fiscal year (ended April 30, 1955) ACF sales of railway equipment amounted to less than 30% of the over-all volume, yet it was a year marked by steady development and large-scale promotion of the famed Talgo train. Trial runs of this lightweight, streamlined passenger train were staged on several roads. The first Talgo, dubbed the Jet Rocket, will go into service this month on the Rock Island 161-mile run between Chicago and Peoria. The unit, made up of four cars, can carry 308 passengers at speeds up to 105 miles an hour. It cost $775,000, which is about 60% less than conventional equipment. Weight will be halved and maintenance costs trimmed on the order of 25%. This new Talgo is a modernized, more flexible version of the original train, incorporating the advantages of six years of practical operating experience of the Spanish Talgos.

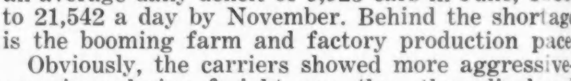
ACF expects the railroads, which have been less venturesome than the airways in providing swift and comfortable service, to turn to these lightweight low-center-of-gravity trains. In fact, the railroads don't have much choice—their asthmatic relics can hardly be expected to compete with 600-mile-an-hour jet airliners. At least, the New Haven has joined the Rock Island in a plan to try the Talgo. Of course ACF will not have the lightweight-train field to itsel. General Motors (no slouch at diversification either) could well dominate this field, as it has a few others. Budd Co. also is a factor.

Passenger-train business, of course, is a mere drop in the bucket alongside the mad scramble by the railroads for freight cars. ACF is swamped with orders and delivery on orders placed now may not be made before 1957. It has been estimated that orders placed with freight-car builders in 1955 totaled 161,800 cars—highest since 1922, when a peak of 178,210 was reached.

Railroads, of course, are anxious to get orders in before the Government writes *finis* to the fast tax writeoff. Still, the car-builders aren't nearly as busy as the order flood would indicate. The car-building plants of ACF, as an example, are operating at considerably less than capacity as a result of the steel shortage. Meanwhile, the freight-car shortage, probably the worst in peacetime history, has grown from an average daily deficit of 9,925 cars in June, 1955, to 21,542 a day by November. Behind the shortage is the booming farm and factory production pace.

Obviously, the carriers showed more aggressiveness in ordering freight cars than they displayed in modernizing passenger trains. Fortunately, for the railroads (and, even more important, the nation), companies such as ACF were still around, thanks to diversification, to serve these needs. The resurgence of ordering has followed the feast-or-famine pattern that long has bedeviled ACF. Of the total ordered last year, only 15,500 came in the first five months.

At least two years of prosperity is ahead for the ACF car-building (*Please turn to page* 458)



1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955
7.18	5.54	5.28	3.47	4.85	d 2.65	1.08	8.63	9.18	7.93	6.62	
2.50	3.00	3.00	3.00	3.00	3.00	-	2.00	1.50	*5.00	4.75	
33.6	41.5	•55.0	50.3	49.4	46.6	43.6	45.5	52.7	61.4	50.7	

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THE EDITORS'

INVESTMENT CLINIC

Case No. 15

The Investor Who Wants "Excitement"

It may seem strange to the many who believe that there is enough excitement in the market—and trouble—without deliberately looking for it. Yet, it is the truth that there is a type of "investor", adventuresome in spirit, with a dash of recklessness thrown in, who is bored with the humdrum task of looking stolidly after his investments with attendant bothers such as keeping records and watching the tax angle. He doesn't in the least mind risking his money in the market, though, naturally, he would prefer to win, but he wants to make it the dramatic way. Perhaps this is because he wants to be able to brag to his acquaintances when he hits the "jack-pot". Or, it may be because he wants to satisfy some inner sense of inferiority and, thus, must be able to prove to himself that he is smarter than the next fellow, especially if he can't get his friends to admit it.

In any case, what he is intent upon is the sensational coup—let us say, a 50 or 100 point profit, with gains amounting to 100%, 200% or more on a single stock. Nothing less! And he is particularly disinterested in sitting for five or ten years with a stock even, if in the end, it could bring him a bigger profit. He wants his 100% or 200% profit and he wants it in a hurry, preferably just about at the end of the 6-months period when he can cash in on the capital gains tax.

Obviously, a diet of hard study into security values isn't going to interest this chap. Not for him, the burning of the midnight oil over a corporation report or a serious analysis of the company or the convenient presentation of its outlook in a sound financial publication. For him, instead, is the "hot tip". And this he can have from many helpers, for the "tipsters" abound and all are willing to assist him along on his venturesome path, providing it is his money and not theirs that he risks.

The trouble with this glib approach to speculation in the stock market is that the accent is on the wrong thing—that is to say, the flashy garnering of a huge profit in double time without the necessary and careful appraisal of the stock's value beforehand. There is nothing wrong, of course, with wanting to make money in the market. Far from it! We all want to make as much as possible on our investments but we have to be certain that we go at it the right way. Certainly, we should not go at it blindly but that is the very thing most likely to happen if we ignore every consideration but the naked desire for profit.

The fact of the matter is that, as in the parable of the tortoise and the hare, a great deal more money has been made by investors through long-pull retention of sound stocks of growth companies than by in-and-out moves to cash in on the swings. Naturally, this takes a great deal of patience as well as judgment but the rewards are there to be had.

Of course, this will not suit the temperament of the individual who "wants to have fun in the market". So we address ourselves to investors whose attitudes on investments are a little less flamboyant. To them, we say that if good results are to be achieved from one's determination to get the most from his investments, some work and attention on his part will be necessary. He will not be able to afford the luxury of buying without investigating, whether he does it himself or gets his information through reliable sources. And, he will keep up with this job over the years, being ever watchful for changes that might affect the securities he holds. He will not expect unusually quick profits though he will, humanly, be pleased if he does not have to wait too long for good results. This, of course, applies specifically to his long-term investments. On the other hand, if he likes to speculate, his requirements may not be so far-reaching, but he will at least not raise his expectations beyond what is reasonable and, even in this more "exciting" field he will take care to do a little investigating before he leaps. —END

We would welcome comments from our subscribers on investment subjects in which they are interested, and which they feel would add to the value of this Department.

Bond Market Outlook for 1956

By EDWIN A. BARNES

The market for fixed income securities has just completed a year of great change which has been accomplished without any major disturbance or radical movement. During the period, credit has been under moderate, but steady restraint of the government with the result that yields have risen to the highest level in years. But because the job was handled so expertly, no great outcry came from those affected by the increases. Under the guidance of the Federal Reserve Board and the Treasury, the increases in interest cost have been made as painlessly as possible in an accelerating economy.

A juncture has now been reached from which further changes can go just as easily in either direction. If business conditions continue strong, the demand for funds should remain heavy. This, coupled with the monetary authorities' desire to keep any inflationary potential well in hand, would sustain present interest levels and even possibly push them a little higher. On the other hand, a decline in economic activity would probably be accompanied by a reversal of the current rising trend based on reduced business need for funds and attempts by Government agencies to encourage new investment. These would be reflected more in the nearby maturities of debt securities than in the longer term issues which have not participated as fully in the rise in interest rates.

While opinion of the many professional and amateur economic forecasters is well divided between those who see sustained strong markets for autos and housing and those who expect adjustments this year, several clearly defined trends are visible in the fields that influence directly the bond and preferred stock price levels.

Bond Market Stable

They indicate that it is probably safe to assume that purchases of fixed income issues at this time possess a minimum risk of adverse market development. The chance that yields on long term issues will rise much above current levels and thus depress prices on outstanding issues is far outweighed by the prospects that rates will hold at current levels or move slightly lower.

Basically, the need for long term investment paper to supply the appetites of institutional investors like pension funds and insurance companies which are as hungry as growing children will barely be satisfied by the amount of borrowing anticipated from corporate and municipal sources.

Furthermore, added demand for fixed income issues may well develop if stock market prices rise further or give some other reasons for individual investors to seek the greater safety of income that is afforded by bonds and preferred shares. Corporations planning to bring new issues to market this year may well take advantage of this possibility by making their offerings in the form of convertible bonds and convertible preferred shares. These would attract the buying interest of those investors who want the shelter of fixed income issues yet desire to share in the growth possibilities of common stock.

The most important single influence on securities yields, remains the activities of government agencies. With their huge potential for issuing securities or for buying them, trends can be developed by the Federal Reserve and the Treasury and supported over a protracted period of time. This was proven conclusively during World War II and right up to the time that the "plug was pulled" from under Treasury issues.

However, during the past year, it has been shown that corporate securities need not follow Governments exactly. A notable development has been the flattening of yield curves which has had the two fold effect of narrowing the differences between yields on long term issues and shorter maturity securities and between yields on highest grade and lesser quality identical maturity securities. While the secondary quality long term issues have experienced an increase in yields (and corresponding price decline) during the past 12 months, the rise has been less than for highest quality long term debt securities which, in turn, was less than on rates applicable to short maturity issues. The more speculative, especially railroad junior liens, have not recovered. At this writing, these issues have lost half their total gain for the year.

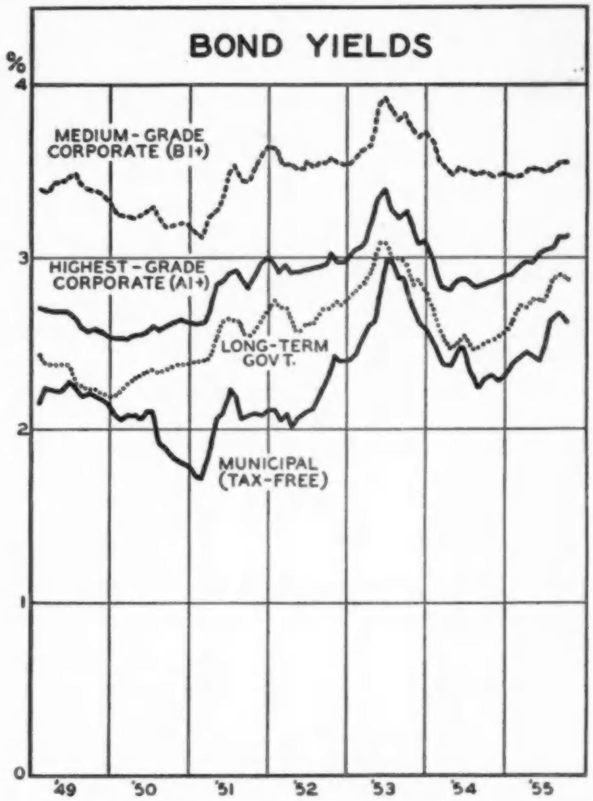
Highest grade corporate bonds rose about 25 basis points in yield during the last 12 months compared with a rise of 15 points in the yield on medium grade company bonds. The top quality issues are currently available on about a 3.15 per cent average yield as compared with around 3.60 per cent for medium grade corporate securities. As the yields increased, prices on outstanding issues declined correspondingly. Prices eased in open market trading of these issues in adjustment to the interest rate rise.

Booming economic conditions with inflation looming in the background as a major threat to the country's business and political stability caused the government to continue exercising its policy of moderate credit restraint. These culminated in several increases in the level of discount rates to the highest level in 20 years. Banks borrowing from the Federal Reserve were paying 2½ per cent interest following a Nov. 18 hike of ¼ per cent. This was an advance of a full percentage point during the year. Despite the rise, the current discount rate is still far below the levels which prevailed before 1930.

The policy of credit restraint adopted early in the year was a reversal of the "moderate ease" that prevailed during 1954 as the Federal agencies sought to change from means of stimulating business activity to those which check the reins. U.S. bonds, which for some months had been rising in price from July 1954 lows backed down a bit early in the year as it became obvious that credit policy had been shifted. Higher grades of corporate bonds, under the stimulus of strong demand from pension funds held comparatively steady. Yields on tax exempt State and municipal bonds of the highest quality, which had increased to about 2-7/16 per cent in March from 2¼ per cent low in August 1954, receded a bit in April following the first advance of the discount rate.

Corporate bond prices during the year resisted the rise in Governments partly because the supply of new issues declined sharply for all industrial groups except sales finance companies which were required to borrow heavily to find funds to support their own rising consumer credit loans. Companies borrowed less because retained profit from record breaking earnings and huge sums generated from depreciation and accelerated amortization supplied most of the cash needed to meet the heavy rate of capital expenditures. Furthermore, high stock market prices convinced many companies which had to raise funds publicly to do so by selling stock or convertible debentures rather than straight bonds.

Prices of corporate and municipal debt securities did depart from following exactly the moves established by Federal issues but they did pursue the trend set by



Treasury and Reserve policies. Lows for last year were generally set in August and early September when discount rates were being raised from 1¾ per cent to 2¼ per cent. At the bottom, longest term treasury bonds were off 5 or 6 points from December 1954 prices resulting in an increase in yields to 2.88 per cent from 2.63 per cent. From August to early November, these prices were increased about 2 points but then gave up 1 point and toward the end of *(Please turn to page 456)*

Bonds for Investment

Issue	Call Price	Market Price	Range 1955	Yield to Maturity	Times Interest Covered 1954
HIGH GRADE BONDS					
American Tel. & Tel. 3⅜'s 1973	103¾	102¾	105⅛-101¼	3.28%	5.18
Atch., Topeka Gen. 4's 1995	NC	116⅜	121¾-115½	3.25	11.71
Chic., Burl. & Quincy 2⅞'s 1970	103⅞	93½	98½- 93½	2.92	6.22
Commonwealth Ed. 3's 1977	105	97½	101½- 96½	3.18	7.30
General Motors 3¼'s 1979	104	101⅝	104½-100	3.15	69.06
Southern Bell Tel. 3's 1979	106	99	101¼- 96	3.05	5.55
MEDIUM GRADE BONDS					
Columbia Gas Sys. deb. 3½'s 1979	105	100⅞	105½-100½	3.40	4.76
Inland Steel 3.2's 1st Mortg. 1982	102¾	99½	102 - 99½	3.10	13.60
N. Y., Chic. & St. Louis 3¼'s 1980	103½	97⅜	100 - 93½	3.50	5.64
Pacific Gas & Electric 3's 1970	102½	99⅛	102¼- 98¾	3.05	4.33
Texas Co. deb. 3's 1965	103	101	103 -100	2.90	34.5

TOLL ROAD AUTHORITIES	Market Price	Yield to Maturity*
Florida Turpike 3¼'s 1955	95	3.60
Massachusetts Turnpike 3.30's 1994	101	3.25
Ohio Turnpike 3¼'s 1992	102	3.20

*Tax exempt.

FOR PROFIT AND INCOME

Trade

Personal income is at a record level, but so is consumer and mortgage debt. Total sales of retail stores in November, while 8% over a year ago, were down 1% from October, after seasonal adjustment. The shrinkage was solely in demand for automobiles and other durable goods, but sales of soft goods merely held even with October. Of course, dollar volume of Christmas trade set a new record, but the gain is described by many merchants as "a little disappointing." One swallow does not make a winter, but these tentative indications of an inclination by consumers to slow spending a bit and save more will bear watching, both in implications for general business activity and market performance of retail stocks. At a time when seasonal market psychology has generally been in their favor, department store stocks have not bettered their average high of last September. Stocks of general merchandise chains, including mail order companies, are currently under their best November level. Despite moderately improved 1955 earnings, variety-chain stocks continue to perform relatively poorly.

Steel

The steel industry has operated at so high an average percentage of capacity in 1955 that, under the best conceivable conditions, 1956 earnings could not be more than moderately increased. The benefit of selective price boosts, and probable further increases in prices, may be about offset by the coming additional round of wage hikes. The industry starts 1956 on about a capacity operating basis. That fact increases the chances that any change later on in the year may be downward. Sentiment in the industry is highly optimistic, as pointed up by large scheduled outlays for expansion of capacity in 1956 and beyond. Yet the stocks so far have been unable to get above last September's high.

Beneficiaries

Steel industry expansion figures to benefit various companies, including makers of refractory materials and of steel mill equipment. The two principal refractory makers are General Refractories and Harbison-Walker. The 1955 profit of the former may be close to double 1954's $2.27 a share (adjusted for recent 25% stock dividend). It could be materially higher in 1956. The stock is on a $2 dividend basis. Yielding about 5.7% at 35, it is a better than average speculative value. The same is so of Harbison-Walker, which may report over $5 a share for 1955, against 1954's $3.02; and which may well gain further in 1956. Dividends are on a $2.50 basis and might be subject to later 1956 increase. Finances are strong. The stock is at 53, yielding 4.7% on the present dividend basis.

Others

Mesta Machine is a well-regarded maker of steel mill machinery. Its 1955 profit probably will be 20% or so under 1954's $5.38 a share, reflecting earlier shrinkage in the order backlog. However, the latter has risen strongly in recent months; and

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1955	1954
Cosden Petroleum Corp.	6 mos. Oct. 31	$2.28	$1.67
Chicago Pneumatic Tool	9 mos. Sept. 30	4.29	3.33
Joy Manufacturing Co.	Year Sept. 30	6.36	4.24
Zenith Radio Corp.	Quar. Sept. 30	3.81	2.61
Addressograph-Multigraph	Quar. Oct. 31	1.80	1.34
North American Aviation	Year Sept. 30	9.42	6.46
Coca-Cola Co.	9 mos. Sept. 30	5.39	4.96
Del. & Hudson Co. & Subs.	10 mos. Oct. 31	10.12	.44
Corning Glass Works	40 weeks Oct. 9	2.12	1.78
Macy & Co., R. H.	13 weeks Oct. 29	1.06	.89

the company now seems assured of all the business it can handle for at least a couple of years. This promises a strong gain in 1956 and 1957 earnings. Finances are strong. Dividends for 1955 total $3, including a 50-cent extra paid last January. On this basis, the stock yields nearly 6.2% at 48½. Payments have been continuous since 1914, and there could well be some liberalization ahead. United Engineering & Foundry is one of the largest makers of steel-mill equipment and other heavy machinery. The situation is similar to Mesta's in that 1955 earnings will be under 1954's $1.37 a share and that the order backlog is now sharply higher. It compares unfavorably with Mesta in finances and operating margin. Even so, the 80-cent dividend may be boosted materially over a period of time; and the stock should have above-average speculative possibilities at 15½.

Question

Among the following things, which has grown the most since the initial postwar year 1946: population, car registrations, electric power output, construction or over-all manufacturing output? The answer is electric power output. Moreover, no end to its growth is now foreseeable. This makes power stocks among the most foolproof for conservative investors. The risk is less than in most industrials or rails; and, despite equity dilution resulting from expansion financing, per-share earnings grow at a rate sufficient to permit substantial capital gains over extended periods of time.

Contrast

In utilities, as with other stocks, you get what you pay for. The stronger is the growth potential, the higher is the price-earnings ratio and the lower is the yield. The higher the current yield, the lower is the potential for growth and capital gain as a general rule. To illustrate, you can buy Boston Edison at 56, yielding 5% on a secure $2.80 dividend. It has paid the same dividend for the last seven years. Earnings of $3.12 a share in 1954 about equalled what they were over a generation ago in 1932, when the dividend was $3.20. If you had bought the stock at its average 1949 price, you would now have a profit of not quite 29%. Florida Power & Light "looks high" at 37½, yielding 3.2% on a $1.20 dividend and earning around $2 a share. But dividends have increased for nine consecutive years; and earnings have more than doubled over the last seven years. Had you bought this stock at its average 1949 price, you would now have a profit of 284%, and you would be getting a dividend return of 12.3% on your investment. The company's future growth rate may or may not equal that of the past; but, with no slackening yet evident, it will surely far exceed that of Boston Edison. In no event can you make big money in any utility excepting over a period of years. Yet the "percentage" is certainly to buy growth utilities, not only for profit but for eventual excellent return on investment. As demonstrated by the examples cited here, the current sacrifice in yield as between a growth utility and a relatively static utility is temporary. We do not see how one can go wrong on a long-pull basis in buying utilities like Florida Power & Light, Florida Power Corp., American Gas & Electric, Central & South West, Gulf States Utilities, Houston Light & Power, Southern Company, Middle South Utilities, or Texas Utilities.

Vigorous

Under invigorated management, U. S. Plywood, fully integrated and biggest producer of plywood, is faring well. Earnings of $1.55 a share for the fiscal quarter ended October 30 showed a year-to-year gain of nearly 60%, suggesting between $5.50 and $6 a share for the year ending next April 30, against $3.52 in the prior year. That, plus comfortable finances, should permit a substantial liberalization of the conservative $1.80 dividend. At 40, the stock is priced around 7 times earning power. It has in a number of past years sold at 10 or more times earnings. This analysis suggests a price potential of 50 to 60.

Strong

Stocks performing considerably better than the general market at this writing include: Air Reduction, American Steel Foundries, Bridgeport Brass, Diamond Alkali, Central & South West, Cutler Hammer, Emerson Electric Mfg., Hershey Chocolate, Ingersoll Rand, Goodrich, Eastern Stainless Steel, General American Transportation, Masonite and Standard Oil (New Jersey). Stocks under more or less selling pressure include Chrysler, General Motors, Kress, Allied Mills, American Enka, Anderson Clayton, Lionel, Bulova Watch, Manati Sugar, Natomas and Twentieth Century-Fox.

"Insiders"

Stocks in which one or more "insiders" (officers, directors or holders of 10% or larger stock interests) did some selling in November include: Allied Stores, American Airlines, Armco Steel, Bulova Watch, and Island Creek Coal. Some insider non-option buying was reported in Celanese, Belding Heminway, General Public Service, Jones & Laughlin, and Moore-McCormack Lines.

Air Lines

After sagging in an uptrend market since last June, air transport stocks appear to have been over-sold; and, with tax-selling pressure out of the way, should be subject to a sizable rally. Despite the increased proportion of low-fare coach business now being handled, earnings have gained strongly in 1955 in most instances. They figure to rise further in 1956 because (1) traffic is in a continuing uptrend; and (2)

(*Please turn to page* 468)

DECREASES SHOWN IN RECENT EARNINGS REPORTS

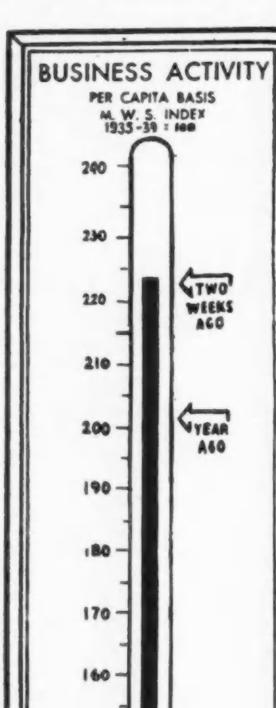
		1955	1954
Northrop Aircraft, Inc.	Quar. Oct. 31	$1.35	$2.02
American Cable & Radio	9 mos. Sept. 30	.20	.37
Rohr Aircraft Corp.	Quar. Oct. 31	.73	.87
Chicago Yellow Cab	Quar. Sept. 30	.12	.78
Illinois Terminal R. R.	10 mos. Oct. 31	.06	.14
Fedders-Quigan Corp.	Year Aug. 31	.36	.61
Twentieth Century-Fox Film	13 weeks Sept. 24	.62	1.00
McGraw Electric Co.	9 mos. Sept. 30	3.45	4.02
Aldens, Inc.	Quar. Nov. 4	.67	.86
Hoe (R.) & Co. Inc.	Year Sept. 30	.31	1.15

The Business Analyst

WHAT'S AHEAD FOR BUSINESS?

By E. K. A.

Businesses which provide the goods and services for our rural areas are keenly aware of the decline in farm income, which is reflected in everything from equipment machinery to consumer durables. The investor getting a higher dividend return for his capital and the employe receiving salary increases and Christmas bonuses may not realize that conditions in the rural regions have undergone a marked change too, only not for the better. Prices of agricultural products, which are their stock in trade, have slumped more than 25% from the high level of 1951.



Farm produce is the one large segment of our economy that has been sore beset in the intervening years. It is not easy to assess the share of blame that attaches to political influences, which have been paramount for more than a generation. Nor is this the task we have set for ourselves here. It is rather our chore to relate conditions in agriculture to what's ahead for business. We can't afford to overlook the danger to the whole economy that stems from a depressed agricultural segment.

It is difficult for numerous people to realize that prices can fall in one part of the economy while rising to record levels on other fronts. Indeed, many people regard this as a danger sign. Others look upon the decline in farm prices as a readjustment to a peacetime economy. Prices received by farmers began to decline in February of 1951 and made some recovery through most of 1952, both periods marked by war in Korea. The decline resumed in September of 1952, while the war still was on, and has continued down to the present.

Historically, the level of prices received by farmers leads the level of all prices during an upswing in the business cycle. Likewise, the level of prices of farm products precedes the level of all prices during a downswing in the business cycle. It is somewhat unusual when prices of farm products fall while the prices of manufactured goods and services in the rest of the economy rise. Yet this has been the situation in the current prosperity the nation has been enjoying.

Interdependence of the economic sectors is a result of the flow of goods and services from one sector to another. Goods and services which move from factory to farm are used to produce farm products, which flow back through industry to consumers. The stream of goods and services is endless. Interdependence is of great interest because of the plight of the farm front.

Agriculture has become more dependent on industry and services as economic progress has been made in this country. Dependence on industry is shown by the quantity of goods and services bought by farmers from the industrial segment. In 1929, agriculture used $6.2 billion of goods and services (measured in constant 1953 dollars) to produce the output of the agricultural sector. By 1953, the flow of goods and services to farms had increased to $12.8 billion by the same measure. In 1929, agriculture needed 25 cents worth of industrial goods and services per dollar of output in agriculture. By 1949, the requirements had risen to 35 cents.

The relationship between agriculture and other segments of the economy is subject to constant change. Agriculture has become more dependent on industry and further adoption of technological developments probably will cause the agricultural sector to depend even more on industry. All signs point to rapid development of industry and far less rapid growth of the farm segment. At least there is not now in sight a solution to the problem of farm surpluses that nobody in this country or abroad seems to want.

The Business Analyst

HIGHLIGHTS

MONEY & CREDIT—Financial analysts are still searching for clues to future credit policy in last month's sudden abrogation of a two-year old directive by the Federal Reserve Board's Open Market Committee. The policy reversal came about as the result of the Treasury's $12 billion refunding operation which ran into trouble in the form of a weak market, a recent rise in the rediscount rate and a soaring demand for short-term funds. In these circumstances, the commercial banks were eager to cash their holdings of maturing securities and the entire refunding operation appeared to be in danger of dismal failure. Faced by such a serious denouement, the Central Bank was constrained to do its part in mustering support for the issue. Unorthodox part of the rescue operation was the decision to purchase certificates involved in the refinancing, in direct contradiction to the policy adopted in September, 1953, which clearly stated that the Open Market Committee was not to give direct help to Treasury financing by buying maturing issues, when issued securities or outstanding issues of comparable maturity. In explanation of the Reserve's departure from the usual support pattern, which involves bolstering the reserves of the commercial banks by bill purchases, it should be noted that such a course was made difficult by the inadequate supply of such obligations, plus the fact that this action might still not have generated any support for the securities involved in the refinancing. In the light of attendant circumstances it does not appear that the Federal Reserve's action portends any immediate change in credit policy. However, it does point up the increasing flexibility of the monetary authorities in adapting their methods to the needs of the moment. This may have a bearing on future policy as regards the level of interest rates for long-term borrowing. These rates have been relatively stable in recent months despite rising costs for short-term funds. If inflationary pressures increase, the Central Bank could intervene more directly in tightening the supply of long-term credit by selling Treasury bonds now in its portfolio.

In the bond markets, the year end saw the usual drying up of the supply of new issues as borrowers took to the side lines. Dealers took advantage of the situation to clean up inventories and prepare for sizable January flotations, while seasoned obligations firmed after a mid-December sinking spell. This month will see the offering of the biggest equity issue ever floated, the gigantic Ford Motor Company stock sale, which is expected to bring in some $700 million for the non-profit Ford Foundation.

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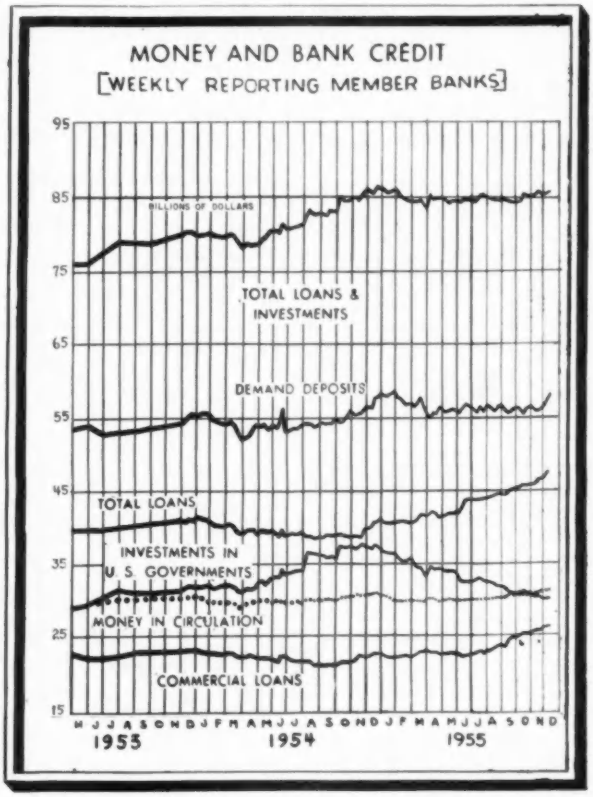
TRADE—Retail sales were well maintained last month according to estimates by Dun & Bradstreet. In the week ending Wednesday, Dec. 21, total dollar volume is estimated at some 5% ahead of a year ago. It is doubtful, however, that total December sales will match the year-to-year increases achieved in previous months, as



December, 1954 dollar volume was at relatively high levels. In the latest week, household gifts, toys and children's clothing were in special demand. Furniture and food stores did quite well and auto dealers reported a small increase from previous weeks.

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INDUSTRY—Industrial output was higher in December, according to the monthly survey of the National Association of Purchasing Agents, although the tempo of incoming orders slowed a bit during the month. Prices of industrial commodities were higher than in November and further increases, especially in steel, were expected. Inventories were on the higher side with some increase reported in the ratio of stocks to output.

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COMMODITIES—The Bureau of Labor Statistics' index of

(Please turn to the following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	Nov.	3.0	3.1	3.2	1.6
Cumulative from mid-1940	Nov.	608.4	605.4	568.1	13.8
FEDERAL GROSS DEBT—$b	Dec. 20	280.6	280.0	278.4	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	Dec. 14	58.6	57.3	57.9	26.1
Currency in Circulation	Dec. 21	31.4	31.2	30.9	10.7
BANK DEBITS—(rb)**					
New York City—$b	Nov.	68.2	66.9	63.2	16.1
343 Other Centers—$b	Nov.	110.9	104.1	99.1	29.0
PERSONAL INCOME—$b (cd2)	Oct.	309.6	307.9	288.4	102
Salaries and Wages	Oct.	214	212	197	99
Proprietors' Incomes	Oct.	50	50	48	23
Interest and Dividends	Oct.	28	27	25	10
Transfer Payments	Oct.	17	17	17	10
(INCOME FROM AGRICULTURE)	Oct.	15	15	15	3
POPULATION—m (e) (cb)	Nov.	166.3	166.0	163.5	133.8
Non-Institutional, Age 14 & Over	Nov.	117.9	117.7	116.6	101.8
Civilian Labor Force	Nov.	67.2	67.3	64.6	55.6
Armed Forces	Nov.	3.0	3.0	3.3	1.6
unemployed	Nov.	2.4	2.1	2.9	3.8
Employed	Nov.	64.8	65.2	61.7	51.8
In Agriculture	Nov.	6.9	7.9	6.2	8.0
Non-Farm	Nov.	57.9	57.3	55.6	43.2
Weekly Hours	Nov.	40.5	42.0	40.6	42.0
EMPLOYEES, Non-Farm—m (lb)	Nov.	50.6	50.5	48.8	37.5
Government	Nov.	7.1	7.1	6.9	4.8
Trade	Nov.	11.1	10.9	10.7	7.9
Factory	Nov.	13.5	13.4	12.7	11.7
Weekly Hours	Nov.	41.2	41.1	40.2	40.4
Hourly Wage ($)	Nov.	1.93	1.91	1.83	0.66
Weekly Wage ($)	Nov.	79.52	78.50	73.57	21.33
PRICES—Wholesale (lb2)	Dec. 20	111.2	111.1	109.5	66.9
Retail (cd)	Sept.	208.8	208.4	208.2	116.2
COST OF LIVING (lb2)	Oct.	114.9	114.9	114.5	65.9
Food	Oct.	110.8	111.6	111.8	65.9
Clothing	Oct.	104.6	104.6	104.6	59.5
Rent	Oct.	130.8	130.5	129.0	89.7
RETAIL TRADE—$b**					
Retail Store Sales (cd)	Oct.	15.8	15.8	14.1	4.7
Durable Goods	Oct.	5.8	5.8	4.7	1.1
Non-Durable Goods	Oct.	10.0	10.0	9.4	3.6
Dep't Store Sales (mrb)	Oct.	0.92	0.92	0.85	0.34
Consumer Credit, End Mo. (rb)	Oct.	34.6	34.3	29.0	9.0
MANUFACTURERS'					
New Orders—$b (cd) Total**	Oct.	27.4	28.3	22.9	14.6
Durable Goods	Oct.	14.0	14.9	10.8	7.1
Non-Durable Goods	Oct.	13.3	13.4	12.1	7.5
Shipments—$b (cd)—Totals**	Oct.	26.6	27.2	22.5	8.3
Durable Goods	Oct.	13.3	13.7	10.3	4.1
Non-Durable Goods	Oct.	13.4	13.5	12.2	4.2
BUSINESS INVENTORIES, End Mo.**					
Total—$b (cd)	Oct.	80.7	80.0	76.9	28.6
Manufacturers'	Oct.	45.2	44.7	43.2	16.4
Wholesalers'	Oct.	12.2	12.0	11.7	4.1
Retailers'	Oct.	23.3	23.2	22.0	8.1
Dept. Store Stocks (mrb)	Oct.	2.6	2.6	2.4	1.1
BUSINESS ACTIVITY—1—pc	Dec. 17	223.3	222.2	201.7	141.8
(M. W. S.)—1—np	Dec. 17	286.1	284.7	252.2	146.5

PRESENT POSITION AND OUTLOOK

(Continued from page 449)
22 leading commodities rose 0.4% in the two weeks ending December 23, to close at 89.9% of the 1947-1949 average. Components which closed higher included raw foods, up 1.1%, livestock 2.7%, metals 0.6% and fats and oils, which advanced 2.3%. Textiles and fibers lost 0.7% while raw industrial commodities were unchanged.

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NEW CONSTRUCTION in November was valued at $3.6 billion, a seasonal decline from October outlays of $3.9 billion, but still 7% ahead of November, 1954. In the first eleven months of 1955 expenditures for new construction amounted to $38.9 billion, virtually assuring a new record of $42 billion for the year as a whole. Private residential building in November was 6% under the previous month but the same amount ahead of a year ago. Nonresidential building ran 27% above November, 1954 with commercial construction achieving the biggest gain. Expenditures for farm construction lagged, running 10% under a year ago while public utility outlays were only 1% ahead of the corresponding 1954 period. Public construction in November was 16% under the previous month, a normal seasonal drop for this type of building.

* * *

MACHINE TOOL ORDERS shot upward in November, totaling $128.0 million, the highest level in more than four years and far ahead of the $35.4 million of new orders received a year ago. December orders appear to be maintaining high November rates with a $43 million order from the Air Force helping to sustain the pace. In the first eleven months of this year, new orders amounted to $809.7 million versus only $500.4 million for the corresponding 1954 period. Machine tool shipments in November were valued at $63.5 million, up from $60.4 million in October and $53.1 million a year ago. Because of the length of time involved in producing certain machine tools, the level of shipments may not catch up with incoming orders for many months.

* * *

The number of **BUSINESS FAILURES** rose to 945 in November, up from 933 a year ago and the largest num-

and Trends

	Date	Latest Wk. or Month	Month	Ago	Harbor*
INDUSTRIAL PROD.—la np (rb)	Oct.	142	142	126	93
Mining	Oct.	122	122	109	87
Durable Goods Mfr.	Oct.	161	160	139	88
Non-Durable Goods Mfr.	Oct.	128	127	117	89
CARLOADINGS—t—Total	Dec. 17	715	727	642	933
Misc. Freight	Dec. 17	369	373	332	379
Mdse. L. C. I.	Dec. 17	59	61	60	66
Grain	Dec. 17	46	47	46	43
ELEC. POWER Output (Kw.H.) m	Dec. 17	11,602	11,426	9,909	3,266
SOFT COAL, Prod. (st) m	Dec. 17	10.5	10.8	8.9	10.8
Cumulative from Jan. 1	Dec. 17	450.0	439.5	377.0	44.6
Stocks, End Mo.	Oct.	71.7	71.7	70.3	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Dec. 16	6.9	6.9	6.4	4.1
Gasoline Stocks	Dec. 16	160	158	152	86
Fuel Oil Stocks	Dec. 16	41	43	52	94
Heating Oil Stocks	Dec. 16	126	134	118	55
LUMBER, Prod.—(bd. ft.) m	Dec. 18	240	252	235	632
Stocks, End Mo. (bd. ft.) b	Oct.	8.6	8.5	9.1	7.9
STEEL INGOT PROD. (st) m	Nov.	10.2	10.5	8.1	7.0
Cumulative from Jan. 1	Nov.	106.5	96.3	80.0	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	Dec. 22	458	349	324	94
Cumulative from Jan. 1	Dec. 22	18,445	17,987	14,196	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Dec. 17	230	265	209	165
Cigarettes, Domestic Sales—b	Oct.	33	32	32	17
Do., Cigars—m	Oct.	551	563	567	543
Do., Manufactured Tobacco (lbs.)m.	Oct.	17	17	18	28

PRESENT POSITION AND OUTLOOK

ber of casualties for any November since 1940. However, the number of businesses in operation in this country has risen by some 35% in the past fifteen years and this would normally account for an increase in the number of failing firms. **LIABILITIES** of failing firms mounted to $42.8 million in November, a 22% gain over a year ago. Failure of larger companies, involving liabilities of $100,000 or more, accounted for most of the increase from last year.

* * *

The **AIRCRAFT INDUSTRY** received $2.0 billion worth of new orders in the third quarter of 1955, a level that just matched deliveries during the period. Recent reports of increased civilian orders plus a planned step-up in military buying of aircraft indicate that incoming orders are still expanding. On September 30, 1955 the backlog of orders on hand amounted to $13.9 billion, unchanged from three months earlier but $1 billion under a year ago. However, it would still take almost two years at current output rates to fill the orders now on the books.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. l—Seasonally adjusted index (1935-9—100). la—Seasonally adj. index (1947-9—100). lb—Labor Bureau. lb2—Labor Bureau (1947-9—100). lb3—Labor Bureau (1935-9—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb3—Federal Reserve Bank of N. Y.—1941 data is for 274 centers. st—short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

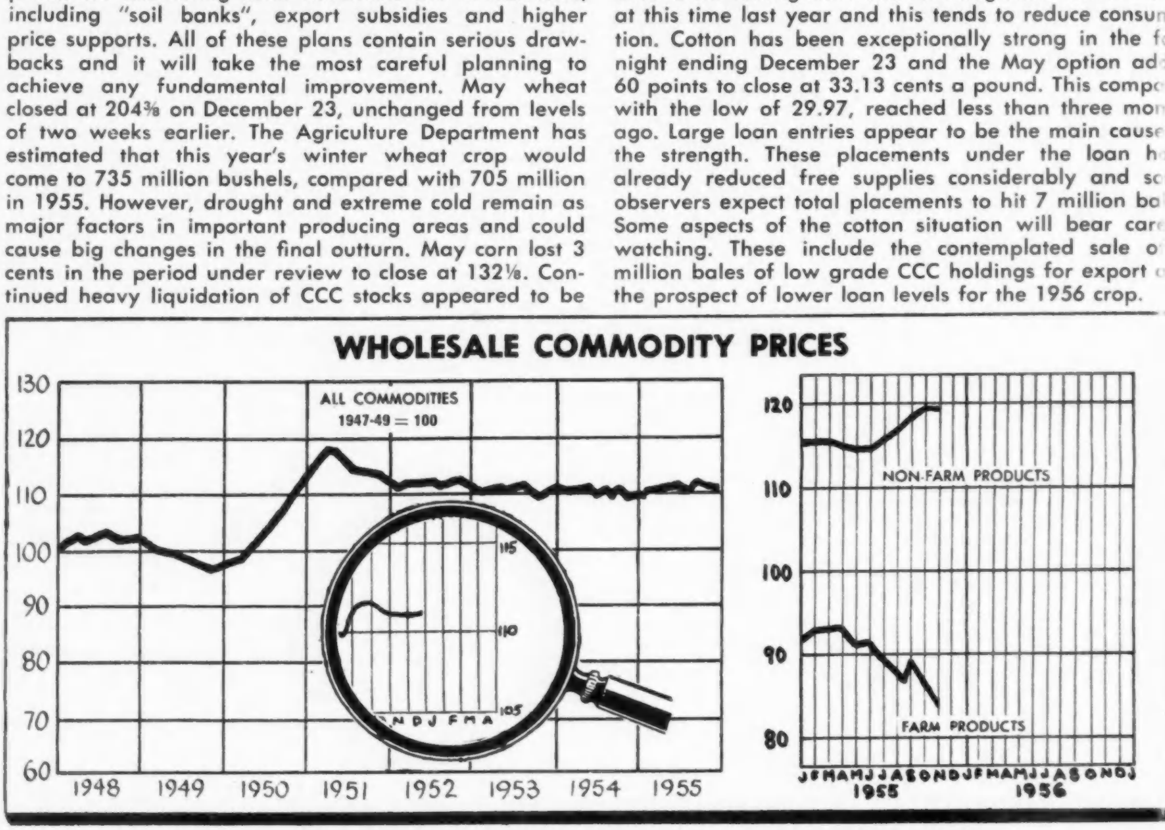
No. of Issues (1925 Cl.—100)	1955 Range High	1955 Range Low	1955 Dec. 16	1955 Dec. 23
300 Combined Average	329.8	282.0	325.0	328.9
4 Agricultural Implements	348.7	264.9	332.5	327.1
3 Air Cond. ('53 Cl.—100)	116.0	87.0	99.8	97.4
10 Aircraft ('27 Cl.—100)	1205.5	871.7	1168.4	1205.5H
7 Airlines ('27 Cl.—100)	1263.6	971.2	1065.2	1065.2
4 Aluminum ('53 Cl.—100)	388.1	191.1	364.5	366.4
7 Amusements	180.6	147.0	158.2	158.2
9 Automobile Accessories	368.6	308.3	355.9	359.1
6 Automobiles	55.8	44.3	52.6	52.6
4 Baking ('26 Cl.—100)	30.6	27.8	28.4	28.1
3 Business Machines	930.6	657.4	870.8	894.1
6 Chemicals	584.5	466.6	579.6	584.5
3 Coal Mining	20.3	14.8	18.6	20.0
4 Communications	116.6	100.7	104.9	104.9
9 Construction	127.3	106.4	119.6	121.8
7 Containers	762.2	675.1	754.9	762.2H
7 Copper Mining	333.4	222.2	296.3	301.0
2 Dairy Products	127.0	116.4	118.8	120.0
6 Department Stores	100.2	80.0	93.7	94.5
5 Drugs-Eth. ('53 Cl.—100)	178.2	129.6	178.2	175.5
6 Elec. Eqp. ('53 Cl.—100)	179.4	151.3	176.3	179.4H
2 Finance Companies	651.1	565.1	583.5	583.5
6 Food Brands	300.6	256.2	277.1	290.2
3 Food Stores	163.7	137.7	156.5	162.3

(Nov. 14, 1936 Cl.—100)	High	Low	1955 Dec. 16	1955 Dec. 23
100 High Priced Stocks	220.1	180.6	216.8	219.7
100 Low Priced Stocks	392.5	343.5	386.0	390.0
4 Gold Mining	806.0	649.1	713.3	734.6
4 Investment Trusts	157.1	140.8	152.6	157.1
3 Liquor ('27 Cl.—100)	1155.7	961.3	993.7	1015.3
9 Machinery	395.8	317.7	359.9	379.3
3 Mail Order	234.1	159.3	222.8	221.1
4 Meat Packing	138.0	112.8	135.6	138.0H
5 Metal Fabr. ('53 Cl.—100)	187.0	155.9	183.7	183.7
10 Metals, Miscellaneous	452.3	358.2	412.5	412.5
4 Paper	1057.8	767.1	1001.3	1025.5
22 Petroleum	692.3	590.0	680.3	686.3
22 Public Utilities	258.5	234.8	251.4	251.4
7 Railroad Equipment	90.6	73.4	89.1	90.6H
20 Railroads	77.9	64.7	75.2	75.9
3 Soft Drinks	565.7	459.9	524.3	524.3
11 Steel & Iron	320.9	219.2	309.6	311.9
4 Sugar	68.8	56.1	60.7	60.7
2 Sulphur	964.0	813.2	947.3	955.7
10 Television ('27 Cl.—100)	47.3	40.7	42.7	44.0
5 Textiles	188.9	148.4	179.9	185.9
3 Tires & Rubber	179.8	137.8	172.6	179.8H
5 Tobacco	95.7	81.9	94.0	94.0
2 Variety Stores	315.0	286.9	290.1	290.1
15 Unclassif'd ('49 Cl.—100)	158.1	141.9	147.8	150.8

H—New High for 1955.

Trend of Commodities

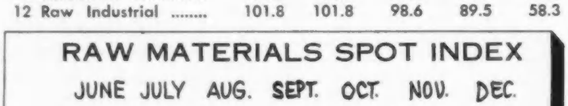
Individual commodity futures followed diverse courses in the two weeks ending December 23. Various proposals for alleviating farm conditions are in the news, including "soil banks", export subsidies and higher price supports. All of these plans contain serious drawbacks and it will take the most careful planning to achieve any fundamental improvement. May wheat closed at 204⅜ on December 23, unchanged from levels of two weeks earlier. The Agriculture Department has estimated that this year's winter wheat crop would come to 735 million bushels, compared with 705 million in 1955. However, drought and extreme cold remain as major factors in important producing areas and could cause big changes in the final outturn. May corn lost 3 cents in the period under review to close at 132⅛. Continued heavy liquidation of CCC stocks appeared to be counterbalancing the effect of increased placements in the Government's support program, causing traders to take to the selling side. The corn-hog ratio is lower than at this time last year and this tends to reduce consumption. Cotton has been exceptionally strong in the fortnight ending December 23 and the May option added 60 points to close at 33.13 cents a pound. This compares with the low of 29.97, reached less than three months ago. Large loan entries appear to be the main cause of the strength. These placements under the loan have already reduced free supplies considerably and some observers expect total placements to hit 7 million bales. Some aspects of the cotton situation will bear careful watching. These include the contemplated sale of 1 million bales of low grade CCC holdings for export and the prospect of lower loan levels for the 1956 crop.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices — 1947-1949, equals 100

	Date Dec. 23	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
22 Commodity Index	89.9	89.5	90.3	90.0	53.0
9 Foodstuffs	74.9	74.0	79.4	90.6	46.5
12 Raw Industrial	101.8	101.8	98.6	89.5	58.3

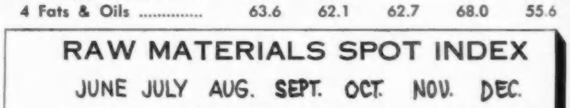
	Date Dec. 23	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
5 Metals	127.0	126.2	119.8	99.1	54.6
4 Textiles	80.1	80.7	79.0	85.0	56.3
4 Fats & Oils	63.6	62.1	62.7	68.0	55.6



14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1955	1954	1953	1951	1945	1941	1938	1937
High	164.6	154.4	162.2	215.4	111.7	88.9	57.7	86.6
Low	153.6	147.8	147.9	176.4	98.6	58.2	47.3	54.6



Average 1924-26 equals 100

	1955	1954	1953	1951	1945	1941	1938	1937
High	173.6	183.7	166.5	214.5	95.8	74.3	65.8	93.8
Low	150.8	167.3	153.8	174.8	83.6	58.7	57.5	64.7

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. The service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquire will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

May Department Stores

"I am a small investor and am interested in a modest investment in May Dept. Stores. Will you please advise how many stores they operate and also give recent sales volume, earnings, dividends and outlook?"

O. W., San Francisco, Calif.

The May Department Stores Company, with headquarters in St. Louis, operates 10 downtown department stores, located in Akron, O.; Baltimore, Md.; Denver, Colo.; Los Angeles, Calif.; Pittsburgh, Pa.; St. Louis, Mo.; Sioux City, Ia.; Youngstown, O.; and Cleveland, O. It also operates 20 branch department stores and a shopping center.

Sales of the May Department Stores Company were up 15.5% over last year's in the third quarter and for the full year 1955 are expected to exceed a half-billion dollars for the first time in the company's history.

Net sales for the three months ended October 31st, 1955 were $123,275,000, as compared with sales of $106,720,000 in the corresponding period of last year.

Net earnings totaled $4,264,000, as against $3,003,000 in the third quarter of 1954. Earnings, after deduction of preferred dividends, were equal to 67¢ per common share, as compared with 46¢ per share. Earnings per share are calculated on the average number of shares outstanding during the respective periods.

For the first nine months ended October 31st, the company's net sales increased by 11.3%, from $298,519,000 to $332,193,000. Net earnings totaled $8,595,000, as compared with $6,205,000 a year ago. These were equal, after deduction of preferred dividends, to $1.31 per common share, as against 91¢ per share in the corresponding period of 1954.

Business conditions continue to be favorable for department stores throughout the country and sales during the holiday season have been satisfactory.

Continuation of the present sales trend through January 31st will put the company sales for the fiscal year over $500,000,000 for the first time. The company had sales last year of $444,371,000.

The company opened three new branch stores during the third quarter in Los Angeles, St. Louis, and Denver and these are reported as doing well.

Consecutive dividends have been paid since 1911 and the present quarterly rate of 55¢ per share yields a fair income return.

Canada Dry Ginger Ale

"As a subscriber, please advise me on Canada Dry Ginger Ale as to recent operations, dividend payments and outlook."

G. A., Philadelphia, Pa.

Canada Dry Ginger Ale, Inc., and its subsidiaries reported record-high earnings of $3,491,040 for the fiscal year ended September 30, 1955, a gain of 46% over the previous year's $2,377,538 income. This is equivalent after preferred stock dividend requirements to $1.72 per common share, compared with $1.14 in the preceding year.

Net sales reached a new high of $74,259,475, compared with $67,362,067 a year ago. Net income before taxes was $6,709,424, also a record high, compared with $5,065,381 last year.

Every major division of company operations contributed to the overall rise. In particular, important gains in earnings were made by company-operated plants in the United States, by the domestic license department and by the Canadian operations. Gains were also established in international activities, and in wines and spirits.

The sales increase was attributed partly to favorable summer weather, but also to the success of the company's new approach to the market. As a result of promoting the entire Canada Dry line of beverages as a family, rather than product by product as before, sales of flavor beverages, such as orange, grape and root beer, rose sharply.

Internationally, the company enjoyed a year of record-breaking expansion with the opening of 14 licensed bottling plants in ten countries. In the wine and spirits field, sales and earnings increased despite an industry-wide decline in consumption. The company reports that market reception to the recently-introduced Canada Dry line of straight Kentucky whiskies has been "well beyond our expectations."

Dividends of 85¢ per share have been declared this past year, with the latest payment of 25¢ per share on January 1, 1956. Total payments for 1954 were 60¢ per share. Prospects continue favorable.

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3 Leading Steel Makers

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Steel slabbing mill capable of rolling 20-ton ingots into 8-ton slabs for cold rolling weldless coils up to 73" in width and 692 feet in length. National entered 1955 with plans to spend about $60 million for improvement and expansion this year, but increased expenditures to near $70 million after deciding to go ahead with some projects that originally had been planned for 1956 which when completed are expected to contribute importantly to an increase in finished product capacity, reduce costs and swell earning capacity.

In this connection, National always has made a favorable comparison with other large steel producers in earnings as a percentage of sales. Even in 1954, a relatively unsatisfactory year because of the lower sales of cold rolled products to the automobile industry and certain non-recurring conditions effecting operations at Great Lakes Steel, National's net income was 6.3% of net sales, and was equal to $4.12 a share on the capital stock. This showing was achieved on net sales of $484 million, down from $634.1 million in 1953 when net income of $49.1 million represented 7.8% of net sales and earnings for the stock amounted to $6.68 a share.

On the basis of 1955 first nine months' figures, it is evident that National is again on a high earnings plateau with net income running at about 7.4% of net sales, indicating earnings for the full year at close to $6.50 a share. For the nine months, sales of $462.5 million were $99.6 million ahead of the like period in 1954, with net earnings making a still better showing, amounting to $34.5 million, or $4.68 a share as compared with 1954 nine months' $19.1 million, or $2.61 a share.

National's postwar expansion has been accomplished largely out of retained earnings and liberal depreciation, depletions and amortization provisions amounting to more than $159 million over the 10 years to the end of 1954. In that same time it has increased its capital stock by only $18.5 million and its long-term debt by $15 million while net property account has grown from $132.4 million to $295.3 million. Meanwhile, dividend distributions on the shares have increased steadily with payments since the 3-for-1 stock split in 1950, being maintained at $3.00 annually, except for 1953 when total distributions were $3.25 a share. This rate of payment has been duplicated in 1955.

Inland Steel Company

Inland Steel Company, the third in the group, is also one of the outstanding so-called independents serving the great Mid-continent area. With plants at Indiana Harbor, and Chicago Heights, Ill., with a combined ingot capacity of 5 million tons which ranks Inland as the seventh largest of the domestic steelmakers. When current projects are completed, scheduled for the beginning of 1956, this capacity will have been increased to 5.2 million tons, and represent an expansion of approximately 2.2 million ingot tons since the close of 1946.

Inland is primarily a carbon steel producer, making only a few simple alloys and no stainless steels. At its huge Indiana Harbor Works, fifth in capacity among the steel plants of the nation, it has eight blast furnace, 40 open hearth furnaces, coke ovens, chemical by-product equipment, blooming and finishing mills to convert ingots into most shapes and forms of steel, with the exception of tubular goods and wire. Approximately 60% of this output is made up of sheets, strip and tin plate, the balance being mostly bars, structural shapes, plates, rails and track fastenings. Further diversification is attained through its subsidiary, the Inland Lime & Stone Co., producer of high calcium limestone for metallurgical, chemical, agricultural and construction purposes, and another subsidiary, Inland Steel Container Co., manufacturer of steel pails and steel shipping containers.

Inland's manufacturing subsidiaries and warehousing subsidiaries annually purchase about 15% of the parent company's output while another subsidiary, Joseph T. Ryerson & Son, Inc., is the nation's largest chain of steel warehouses, having plants in 16 cities, and handling what is estimated to be the greatest volume of retail business in the steel industry. This volume greatly augments what Inland commands through its strong competitive position in the importan[t] Chicago and adjacent areas.

In 1954 when the steel industr[y] operated at an average of 71.1[%] of rated capacity, Inland's rat[e] was 96.2%. Earnings, after taxes hit a new peak at $41.2 million This was equal to 7.74% of ne[t] sales of $533.1 million. Per share earnings of $7.92 on 5,21[?],96[?] shares of common stock outstand[-] ing compared with $6.90 in 195[?] on 4,907,654 shares outstandin[g] at the end of that year. Th[e] increase in outstanding share[s] resulted from the issuance of 95,[?] 307 shares by exercise of em[-] ployee stock options and 21[?],00[?] shares through conversion of de[-] bentures which, together wit[h] redemption of $2.8 million o[f] mortgage bonds brought long[-] term debt down from $111.[?] million at the end of 1953 to $9[?] million as at December 31, 195[4].

New records were set in th[e] first nine months of this yea[r] with sales, earnings, ingot pro[-] duction and steel shipments a[t] higher levels than for any simila[r] period in the company's histor[y]. For the first nine months of 195[?] consolidated net sales of $48[?] million surpassed the 1954 simila[r] period by approximately $77 mil[-] lion and the 1953 volume, the pre[-] vious record high, by about $4[?] million. On the basis of net earn[-] ings for first nine months of thi[s] year, it is estimated that 195[?] net will be close to $8.75 a share the number of which has bee[n] increased by 55,752 purchased b[y] employees and 159,949 share[s] issued as a result of debentur[e] conversion which reduced th[e] debt by another $8.4 million. A[ll] told, Inland's outstanding com[-] mon or capital stock—there is n[o] preferred — was increased t[o] 5,461,668 shares, including 30,00[?] shares Inland issued for the pur[-] chase of Arthur C. Harvey Co.

Since the end of World War II Inland's capital expenditures fo[r] improvement and expansion ha[ve] amounted to $282 million, includ[-] ing $45 million, a record sum fo[r] any one year, for 1955 projects. These include, as part of the vas[t] construction program at th[e] Indiana Harbor Works, facilities which went into operation las[t] October for producing wide

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3 Leading Steel Makers

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flange beams, output of which strengthens the company's position in the important construction industry and further diversifies its product lines.

Current plans call for extending the improvement and expansion program over the next three years with capital expenditures totaling close to $260 million. Scheduled among the projects are an increase in ingot capacity by 800,000 tons by 1959; a new blooming mill handling 1.8 million tons of steel annually; and additional cold-rolled sheet facilities to increase capacity by 57% over present capacity of 850,000 tons. Although the company has made no definite statement it has been intimated that 1956 capital expenditures would probably be about twice this year's total which would make it somewhere around $90 million. As in previous years, a substantial portion of capital funds will be derived from retained earnings and other internal sources, but the company may undertake some public financing as the program progresses.

Since 1946 to the end of 1954, Inland's net increase in long-term debt has been $40 million. In that same time, its net property account has expanded from $90.4 million to slightly more than $209 million, a net increase of $108.6 million or 120%, while total assets have grown from $214.7 million to $406.6 million. As of the end of last year, current assets, including $94.8 million in cash and U.S. Government securities, totaling $227 million exceeded current liabilities of $68.9 million by $158.1 million.

Inland's dividend payments on its capital stock since the 3-for-1 split in 1946 have, on an average, amounted to about 50% of each year's per share earnings and in the last four years have increased from $3.00 to this year's $4.25 a share.

At current market price of 86½, the stock is selling at approximately 10 times estimated 1955 earnings and yielding on the basis of this year's dividend 4.9%.

National Steel, currently priced at 70½, is selling at approximately 10.8 times 1955 estimated earnings. On the basis of this year's total dividend of $3.25 a share the yield on this issue is 4.6%.

Armco Steel, currently selling around 55, is priced at about 9.8 times estimated 1955 earnings. Assuming that dividends of 60 cents quarterly will not be increased in the coming year, this issue at its present price yields a return of 4.3%.

We consider all three issues to be good investments for the business man who desires a fair return on funds, and is also interested in long-term appreciation possibilities through the continued growth of these companies in an expanding steel industry.

—END

Bond Market Outlook for 1956

(*Continued from page* 445)

the year again showed some improvement.

Pension funds were credited as the major supporting factor that held long term issue prices relatively stable even though short term yields have risen markedly. Rapid growth of retirement plans has generated considerable sums seeking investment. Private retirement funds aggregated $21.1 billion at the end of 1954 and receipts were coming in at an annual rate of almost $2 billion.

On the other hand, there was no similar support for near term credit on which most of the controls imposed by the government were applied. Bank buying power was committed to other areas and only toward the end of 1955 when short term Governments started to pass the 2.50 per cent mark did corporate interest in these temporary investment media perk up. Ninety-one day Treasury bill yields, representative of the shortest maturities, pierced a 22-year high to a year-end level of over 2.6 per cent rising from as low as 1.05 per cent in January 1955.

Change in Yield Relationships

But yields have almost lost their relationships to time of maturity. Ever since the end of World War II, there has been a shrinkage of the spread between yields of shorter term Treasury issues and those maturing in 15 years or longer. While the gap was closing slowly in the period from 1946 to 1954, it virtually disappeared last year as short term credit tightened much more than longer term credit. There is considerable speculation about the possibility that short term rates will continue to rise and surpass long term rates. This seems doubtful, however. If the economy slows at all, the decline in demand for funds would be quickly reflected in an easing of short term interest rates.

An equally important development has been the narrowing of differences in yields between those available on best risk issues and those of poorer quality. Moody's bond yield averages show that yields on Aaa rated bonds are currently about 20 points higher than the 2.96 per cent average set in 1952 while medium quality bonds represented by the Baa ratings is currently near 3.60 per cent which is only 8 points above the 3.52 per cent of 1952.

In other words, it might well be wise for those paying for the safety of debt to sacrifice some additional income for the extra protection of best quality issues. A yield of 3.13 per cent is available from top drawer Commonwealth Edison 3's of 1977 while Southern Bell Telephone 3⅛'s of 1989, a 34-year maturity, pays 3.20 per cent. General Motors 3¼'s, maturing in 1979 possess the same quality rating but, being industrial rather than utility they are priced somewhat more conservatively and thus yield 3.22 per cent.

A shade lower in quality are Aa Con Edison Co. of New York first and refunding 3¼'s of 1981 which bear a yield of 3.25 per cent. In the lower quality bonds are included Ba rated Sylvania Electric Products 3¾'s, which are selling to yield 3.50 per cent and Pennsylvania Railroad 4½ per cent general obligations maturing in 1981 which yield 4.1[illegible] per cent.

The investor who wants a few additional points of yield might well watch public offerings of a new issue which fits into his portfolio requirements. As a rule, i[illegible]

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CHARLES F. NOYES CO., INC.
World's largest real estate management firm

Bond Market Outlook for 1956

(*Continued from page* 456)

is necessary for the company and the underwriters to deliberately price the issue at a discount under levels prevailing for outstanding bonds of the same quality and maturity in order to encourage public reception for the issue. The discount becomes greater for larger issues because of the added difficulty in marketing the additional bonds. These discounts tend to disappear as the issue becomes "seasoned" and moves through trading channels into "strong" hands of long term investors.

Preferred shares offer the same principal of fixed income—but they also entail more risk since it is easier to defer dividends on preferred stock during periods of financial stringency than it is to halt interest payments on debt obligations. Holders of the preferred stock, as stockholders of a company, have no claim other than their dividend arrearages, and a priority ahead of common holders in the event of liquidation. The bondholder, however, ranks with other creditors of the concern in the event of default.

Municipal obligations, including turnpike issues, have a special appeal to investors in high tax brackets because of their exemptions. Thus, high quality general obligations have yields of about 2.50 per cent which is equivalent to a 5 per cent yield for individual investors in the 50 per cent tax bracket, and even more favorable for those in higher brackets or correspondingly less favorable for investors in lower brackets. Certain high quality turnpikes offer more generous yields of about 3 per cent because their promise to pay is backed only with the revenues taken in on the authority. Other state and local bonds issues usually have the interest and principal guaranteed by the "full faith of the borrowing community," making them eligible for most institutional investors.

Favorable bond influences are expected to prevail from now on for all sectors of the longer term debt securities markets. Allowing for the price decline which has already taken place, it is believed that little risk remains for investors who want safety and stability. While prices have already been marked down, there is a good reason to believe that new gains will be made in the not too distant future. —END

A Study in Diversification

(*Continued from page* 442)

division, for an increasingly large number of old freight cars must be scrapped by the railroads. About 650,000 are 26 or more years old, with around 384,000 of these actually more than 30 years old. Latest figures show that 37.5% of the national freight car fleet is at least 26 years of age. Over two-thirds of the passenger-train cars are 26 or more years old. As a consequence, there is bound to be a resurgence of interest here, particularly in new lightweight trains. The Talgo can hardly fail to get a goodly share of this business.

More Horizontal Diversity

While the post-war diversification program has stressed non-railroad items, the efforts to broaden the base of income in the 1920's gave considerable attention to railroading. Thus, in 1926, Shippers Car Line Corp. was acquired. This company, supplying and servicing tank cars and covered hopper cars on lease to industry, today operates some 15,000 tank cars and produces a consistent and growing income for ACF. It also has a nation-wide organization of repair shops and leasing offices.

In citing the varied and far-flung divisions of ACF, it is well to emphasize that the most important and versatile of all is the American Car & Foundry Division, which produces such items as stainless steel mixing bowls, mine cars, castings and forgings, as well as railroad cars. This is the division that produces such defense items as tanks. Its aircraft skills have achieved prominence in the past few years since the first orders for fuselage aft sections of Boeing-designed B-47 bombers got into production. And this is the division that has been building subway trains for more than a half century for London, New York and other metropolitan transit systems.

The acquisition, in 1922, of Carter Carburetor Corp., which has plants at St. Louis and Olivette, Mo., gave ACF a vital stake in the automotive industry. Today, Carter is the largest maker of carburetors in the country. This subsidiary is benefiting from the high level of production in the auto field, a growing replacement business and development of its line of military fuses, automotive pressure switches, fuel pumps and fuel filters, to cite a handful of products. Chrysler is its top customer and the tremendous upsurge in the fortunes of that company has helped Carter, which gets relatively little business from Ford Motor Co. or General Motors. The year past has been the best in the history of Carter.

Indeed, the fiscal year that ends April 30 promises to be an outstanding year for ACF Industries as a whole—although not quite as good as it would have been if the steel bottleneck hadn't developed. A measure of the improvement from year-ago figures may be gleaned from these statistics: For the six months ended October 31, sales of products and services soared to $117,274,000, brought down to net profit of $3,875,000, or $3.09 a common share. This compares with $68,481,000 and net of $2,529,000, or $1.93 a share, in the first six months of the preceding year. For the last fiscal year, sales were $190,774,000 and net was $6,855,000, or $6.62 a common share, computed on the basis of preferred and common shares outstanding at April 30, 1955.

The decline in business for that year stemmed from a lack of orders for railroad equipment and a cutback in Goverment buying of some types of ordnance. Consolidated net, however, declined only 12% (sales were down 22%), reflecting the higher and more stable earnings potential resulting from diversification.

Recap Plan Adopted

In November, 1954, stockholders approved a plan of recapitalization that provided each share of the old 7% non-cumulative, non-callable $100 par preferred be changed into two shares

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A Study in Diversification

(*Continued from page* 458)

of $50 par 5% convertible cumulative preferred, plus $4 in cash. Each new preferred share is convertible into 1⅛ shares of common and is redeemable at 110% of par. Each share has one vote, equally with the common. Earnings per share on the common for the six months that ended October 31, 1955, have been computed on the basis of preferred and common shares outstanding at the close of the half—221,883 shares of 5% preferred and 1,165,781 shares of common. This new capitalization has been used for the purposes of the year-earlier comparison. If all the preferred were converted to common, the shares out would then total 1,415,577. With the normal operation of the sinking fund and assuming it will remain worthwhile for preferred holders to convert, all of the preferred should be out of the way some time in 1956.

The company has followed a liberal dividend policy. On March 15, 1955, 75 cents was disbursed. On June 15, the payment was boosted to $1, with an accompanying announcement that the higher dividend was not to be construed as a regular quarterly rate since important elements of its business (typical of the industry) still are subject to wide fluctuations. Nevertheless, the $1 rate has been maintained since that time. In connection with the aforementioned fluctuations, it is interesting to note that ACF has operated in the black in every year since 1940, when a nominal deficit was incurred, and some dividend has been paid in each year since 1951. However, net per common share (adjusted) rose from 89 cents in 1951, to $7.14 in 1952, to $9.18 in 1953 and declined to $7.93 in 1954. The erosion, as previously noted, carried over into last year, when the figure was $6.62 a share. The upward climb now is being resumed.

Selling around 66, the common is priced to yield about 6%, assuming maintenance of the $4 annual payout. Not only does the present level appear safe, but there is a strong likelihood for a boost in 1956 in the rate or declaration of an extra, although immediate working capital requirements of ACF are substantial.

ACF, second-ranking company in an industry that is notorious for its feast-and-famine habits, falls into the category of an attractive speculation. The company is well-managed by an aggressive, research-minded directorate that has taken ACF into the unlimited-horizon fields of atomic energy and electronics. It has been demonstrated that the company can operate profitably even when railroads are contributing as little as 29% to over-all volume. Now in the midst of a boomlet in railway equipment, earnings prospects for 1956 and 1957 appear unusually good. While the company has not ruled out the possibility of acquiring other interests, the predominant feeling within the top echelons of the company is that the period ahead must be one of digestion. This feeling can be described as "like a boa constrictor that has swallowed a deer." Still, companies acquired in the past few years, should, by themselves, make a major contribution to raising the earnings power of the parent company. —END.

25 Companies With Built-in Dividend Assurance

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much as 5% (Gillette). However, the relative rapidity with which the 25 have sweetened the coffers of stockholders down the years makes for rather swift changes in such calculations.

While the record of the past is not an unfailing guide to future action, it nevertheless can be said in this instance that, by and large, this is a roster of companies whose prospects are unusually bright. Although it will be no simple task to equal the high-level performance of the past 10 years, each one should give a good account of itself in the years ahead.

Indeed, the record shows that many have been paying dividends in each year since around the turn of the century. No less than 16 of the 25 have been making payments each year for over a quarter of a century. A few do not achieve this status because their corporate life does not go back that far. In any case, there is no need to apologize for any of the entries—the record speaks for itself.

For the sake of those investors who prefer portfolios that provide regular monthly income, another table has been attached. It includes, in addition to selections from the 25, a few investment-type issues that do not qualify under the title of "Repeated Dividend Increases." However, from the smaller table a portfolio can be put together providing dividend income for each month of the year.

We call attention, once again, to the table listing the 25 stocks, believing its careful study and retention will be of considerable help to the investor. Each stock is the subject of brief comment and those marked with an asterisk (*) are considered to have better than average potential for long-time price appreciation.

—END

Standard Oil of New Jersey's Expansion Program for 1956

(*Continued from page* 425)

tributing at least 2 per cent of the total energy uses in the United States. A similar gradual growth into chiefly specialized applications is expected abroad. Increased use of nuclear energy will contribute to world technology and progress, and this in turn should bring about a greater use of liquid fuel.

At present oil furnishes about 38 per cent of the total energy requirements of the Free World. The activities of the companies making up the Jersey Standard organization account for 17 per cent of the oil business. In terms of volume, the Jersey companies provide nearly 2,500,000 barrels daily. In 1935, its business made up about the same percentage of the industry total but the volume then amounted to about 600,000 barrels daily.

Maintaining the underground oil reserves necessary to these operations calls for a tremendous and sustained exploratory effort. These reserves are the starting point of an integrated oil business, and Jersey Standard is searching for additional supplies wherever legal and political conditions are favorable and it

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Standard Oil of New Jersey's Expansion Program for 1956

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believes there is a reasonable chance of success. By an accident of geography, or geology, the better oil fields are often found in the world's more remote and inaccessible areas. This naturally adds to the costs of exploration and production. Affiliates of Jersey Standard are looking for new production in such widely scattered places as northern British Columbia, Libya, the Philippines, France, and eastern Peru.

Distribution of Expenditures

In common with the rest of the oil industry, the greatest part of Jersey's capital and expenditures program is spent on exploration and production. Of the $1.2 billion representing the projected 1956 investments of consolidated affiliates and its share of the programs of non-consolidated companies, about half will go for exploration and production. The remainder will be divided about equally between refining operations on the one hand, and marketing and transportation on the other. This same general breakdown among operating activities holds true for the expenditures to be made in the major geographical regions.

Of the $1.1 billion in expenditures planned by the consolidated affiliates of Jersey Standard, about 43 per cent, or $475 million, will be spent in the United States. This country ranks as the world's greatest oil consumer and probably will continue to hold that position for many years, although its already highly developed economy is expected to show a more moderate rise in oil consumption than many foreign areas. Jersey Standard's forecasts indicate that by 1975 the United States consumption will have increased by 60 per cent over the approximately 8,300,000 barrels per day used in 1955.

Jersey Standard's principal affiliates in the United States are Humble Oil & Refining Company, owned 87 per cent, and The Carter Oil Company and Esso Standard Oil Company, both owned 100 per cent. Next year's expenditures in the United States will be used for further exploratory and development work by Carter and Humble. Esso Standard will continue to modernize its refineries, improve marketing facilities, and expand in the petrochemical field. Among its other activities, Humble is participating in the expensive development of production in the offshore areas. Carter is planning to enlarge its secondary recovery work in Illinois and to expand its marketing operations into the Pacific Northwest.

Including the United States total, about $950 million will be invested next year by the Jersey Standard organization in the Western Hemisphere where approximately two thirds of its total business is conducted. In Canada, Imperial Oil Limited is owned 70 per cent by Jersey. To Imperial goes the credit for inaugurating the present intensive development of production in Western Canada. This was the result of Imperial's Leduc discovery which was made in 1947 after a long and discouraging search during which $23,000,000 was spent. It is expected that fast-growing Canada will increase its oil consumption two and a half times by 1975. Imperial plans to keep abreast of this growth by large investments in producing, refining, and distribution facilities.

Another region of great promise in its potential for oil consumption is Latin America. With a rapidly increasing population, industrialization, and rising living standards, it is likely that use of oil in Latin America will be nearly three times greater 20 years hence. For Jersey's Latin American affiliates to share in this increased business, heavy investments will be called for in all branches of operations.

Jersey Standard is represented in Venezuela by Creole Petroleum Corp., 95 per cent owned. International Petroleum Company, 83 per cent owned, has important operations in Peru and Colombia, and other affiliates do business elsewhere. One field of expansion in Latin America will be in additional refining capacity. New or enlarged processing facilities are being build at Cartegena in Colombia, Amuay Bay in Western Venezuela, and Havana, Cuba.

Outlay for Near East

In the Eastern Hemisphere, total expenditures of consolidated and non-consolidated Jersey Standard affiliates in 1956 will amount to about a quarter of a billion dollars. This investment reflects the large increase in oil requirements that the company expects in this part of the world. Naturally these expectations are based on reasonably stable economic and political conditions. Although the outlook may appear discouraging at times, it seems that progress is being made in this direction.

The use of oil in Western Europe has surged ahead at a tremendous rate in recent years, and further sharp growth in the future is indicated. By 1975 Jersey Standard looks for Western Europe's oil consumption to be two and a half times what it is now. The company's affiliates in this region are making large investments for expansion in response to this trend. An important illustration is Esso Petroleum Company, Ltd., in the United Kingdom. This company recently contracted to supply large amounts of heavy fuel oil for power generation in Britain and is planning to enlarge the capacity of its facilities at Fawley to meet this need.

The search for oil production within Western Europe itself has met with encouraging results, particularly in France where Jersey Standard's French affiliate made a significant discovery two years ago. However, despite this and other exploratory efforts, it seems likely that the Middle East will continue to supply most of the requirements of Western Europe. Jersey Standard's projections indicate that Middle East oil output may have to be doubled by 1975 if it is to satisfy only Western Europe's future needs. While the Middle East's present reserves are extremely large, it is obvious that it will be necessary to carry out further development and provide additional facilities. Jersey Standard's interests in this region consist of a 30 per cent share of Arabian American Oil Company, nearly 12 per cent of Iraq Petroleum Company, and 7 per cent of the company formed in 1954 to resume large-scale operations in Iran. Elsewhere in the Eastern

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Cyanamid Means ...

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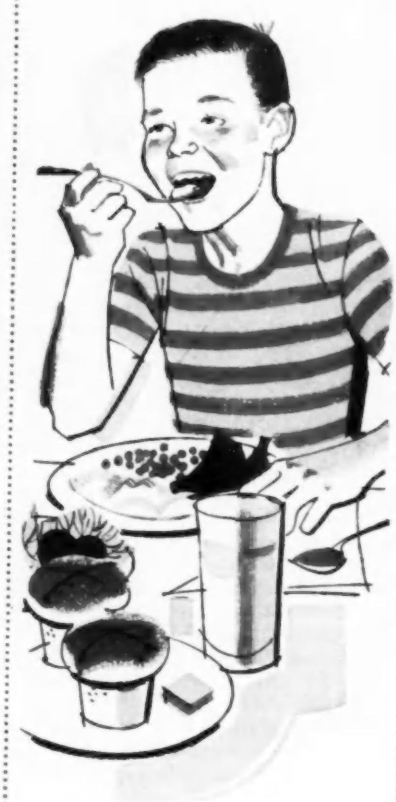

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30 ROCKEFELLER PLAZA, NEW YORK 20, N.Y.

BUILDING FOR THE FUTURE THROUGH CHEMISTRY

Standard Oil of New Jersey's Expansion Program for 1956

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Hemisphere, Jersey Standard is represented through its 50 per cent interest in Standard Vacuum Oil Company, which does business in Africa, Australia, and the Far East.

The general goal in Jersey's investment program throughout the world is to grow as the oil business grows. The competitive nature of the industry demands that costs be kept as low as possible, and the uncertainties inherent in the business require that the inevitable risks be spread as widely as possible. As for financing Jersey Standard anticipates that each affiliate as far as possible will provide the funds it needs out of depreciation plus retained earnings. The parent company's present healthy financial condition should allow it to meet the demands for money from those affiliates unable to finance their own expansion. The only outside financing it contemplates will be in the case of certain affiliates which will borrow marginal amounts of capital, mainly in Europe. —END

Foreign Trade Shifts in 1956

(*Continued from page* 431)

giving them away as charity (private welfare agencies tripled their shipments during the first half of 1955) or economic aid, or by selling them against local currencies of dubious value, much to the consternation of Canada, Denmark and other food exporting countries. Stripped of charity, barter, and special sales, our agricultural exports would probably show faltering results in world markets. Certainly our present farm policies have been gradually pricing such key exports as cotton out of world markets. Ten years after the First World War our cotton exports brought in some $920 million, or some 18 per cent of the total exports that year. In 1955, ten years after the Second World War, our cotton exports, despite considerably higher prices, will probably bring in around $550 million or less than 4 per cent of our total exports.

Hence most of the increase in exports will probably again be concentrated — as it was in 1955 — in sales of non-agricultural products. In this respect the 1955 trends may be indicative of what will happen in 1956. As will be seen from the accompanying table based on 8-month results, there was an across-the-board increase in exports of all major groups and commodities in 1955, the only exceptions possibly being petroleum products and textile manufactures, which reflected the growth of refining facilities throughout the Free World and the growing competition in international markets for textiles from India, Japan, and Hongkong.

Exports of motor vehicles and parts, chemicals, wood and paper, nonferrous metals, and ferro-alloys may be expected to establish new records in 1955. Exports of steel mill products were lifted to the unprecedented annual rate of $750 million by especially heavy steel scrap shipments reflecting record-breaking steel production abroad. Exports of machinery, metal manufactures, and coal were also higher than in 1954 but still below the peaks established during the Korean war period.

Increased competition may, of course, affect some of the above export products in 1956. In view of restrictions on spending in some countries and the growing competition of European car manufacturers, American motor vehicle exporters will be doing well if they export in 1956 as much as they did in 1955. Much the same may be true for exporters of chemicals. On the other hand, coal and steel mill products, which will be needed to overcome a continuing bottleneck in European industrial expansion, may do still better in 1956. Machinery and metal manufacturers may also be expected to expand despite British and German competition.

Who Will Buy Our Goods?

More difficult to foresee than the 1956 make-up of our export trade is the probable destination of our expanding exports.

Canada, which like the United States is in the midst of unprecedented business boom, is bound to increase her purchases here of all types of capital and consumer durable goods as well as of steel mill products and chemicals. Our sales to Latin America may increase modestly in 1956, unless the political situation in Brazil and Argentina improves sufficiently to permit the extension of loans and credits to them and subsequently heavier exports. In general, there can be no real progress in these two key Latin American countries until they face up to needed postwar adjustments and deal sternly with internal inflation.

Western Europe, which has become our largest export market, far ahead of Canada and Latin America, will probably also take more of our goods. At the same time, however, it may be well to remember that our export surplus with Western Europe is now running at the annual rate of $1.8 billion, as against only about $600 million in 1953. Europe will have to earn these dollars by selling us more services and by obtaining more dollars from third countries.

Some of the Near Eastern countries, such as Iraq, Kuwait, and Saudi Arabia may also buy more of our consumer durables and capital goods. On the other hand, our normal deficit with the Overseas Sterling Area, which includes India, Ceylon, Malaya, Australia, has been reduced, and an increase in exports is likely only if we buy more of its products. Much the same is true of the non-sterling countries of Asia, particularly the Philippines, which have restricted their dollar purchases to the raw materials and equipment needed in their economic development. —END

What is Ford Stock Worth?

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There is yet another measure of this giant, one that is of overriding interest to investors, and that is its position in the automotive industry. For a half century Ford has been 1-2-3 in this pivotal industry. Prior to 1927, the "Flivver," or Model T, made Ford the top producer of passenger cars and trucks. The leadership, seized more than a

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What is Ford Stock Worth?

(*Continued from page* 464)

quarter-century ago by GM, was never recaptured. Indeed, there was a long period of years in which Ford trailed Chrysler. As recently as 1946-1951 (except for 1950), Ford was third in unit factory sales of passenger cars. A few years ago Ford regained the runner-up spot, with no sign that it will relinquish the position.

Last year, GM accounted for about 50% of the passenger-car market, Ford 28% and Chrysler 17%. The remaining 5% was divided among the so-called independents. Back in 1941, when the "pie" was less than half of the current product, GM had 47% of the total, Chrysler followed with 24%, Ford was third with 18% and the independents had 11%.

To Henry Ford II, president of the company and grandson of the founder, must go major credit for pulling the Ford empire out of the tailspin into which it had gone in the declining days of the elder Ford. Prior to the postwar period, the company was operated under a highly centralized management, with policy and operation responsibility centered largely in the chief executive position (Henry Ford, that is). Management has been decentralized under young Ford. Operations now are conducted through 16 divisions, each of which, subject to the direction and control of the board of directors and the executive committee, operates with its own management and staff. A central staff operating under the chairman of the board and the president has been established for advisory and policy-making purposes, and to perform other functions for the company as a whole. Chairman of the board is Ernest R. Breech, a former GM vice president.

Ford Enters New Era

The company has undergone many changes, of course, since it was founded with a cash investment of $28,000 back in 1903. But even greater changes impend for this company, whose founder had an abiding hatred of Wall Street. There is no need to recount here the efforts of the elder Ford to obtain finance capital in Wall Street and how he turned eventually to his dealers to bail him out.

Of more than biographical interest, however, is the change that is certain to stem from the presence of thousands of stockholders who will be making the inevitable comparisons with other firms inside and outside the industry. The Foundation stock offering, for one thing, bids fair to uncover the largest crop of "virgin stock buyers" in history — purchasers of as few as five shares. Nor are they likely to be less avid for dividends than large stockholders.

As a family enterprise, Ford finances were dominated by a policy of plowing back an overwhelming share of profits into expansion and improvement. That was how the sprawling River Rouge plant, once the core of Ford operations, was financed. In this fashion, the tremendous expansion of Ford was handled during these postwar years. The company now must keep stockholders happy — investors who may not take kindly to a pay-as-you-go principle which entails passing up fat dividends with incidental erosion to stock values. And the company is not unmindful of this new situation, as the promised dividend of 60 cents for the first quarter of 1956 shows all too plainly. Ironically, it was the Plowback Vs. Dividend policy that led the late Henry Ford to buy out his partners back in 1919. He wanted to build a steel mill on the land where the River Rouge dumps into the Detroit River. Instead of building such a plant, some of the stockholders, the Dodge brothers among them, thought the money ought to be paid out to shareholders.

A Handicap Eliminated

Where the elder Ford had to deal with a handful of stockholders, the grandson will have to cope with hundreds of thousands eventually. But he and the shrewd men around him can easily turn this situation to their considerable advantage. For GM and Chrysler with their hundreds of thousands of stockholders,

have had, until now, a sizable competitive advantage in shareholders who patronize their own company. Widespread ownership should give Ford equal advantage.

And Ford, as well as other automotive producers, comes up to 1956 in need of every competitive equalizer it can obtain. Its neck-and-neck years-long battle with GM for first place in the low-priced field has been a major contributor to the wild production race in the industry, marked by overtime in factories, price-cutting and "bootlegging" by retail dealers who are glutted with cars, the easiest credit to car-buyers in the history of the industry and forcing old-line independent producers to combine for their own preservation.

The hectic pace of 1955 resulted in about 9,225,000 motor vehicles coming off assembly lines, a 40% rise from the 1954 total and more than a million above the previous record, set in 1950. The 1955 passenger-car output totaled about 8 million units. Remainder of the total was divided among trucks, buses and utility vehicles. Not only was 1955 the biggest year in the history of the industry, but the passenger-car output equaled the number produced during the decade from 1910 to 1920. It is no wonder, then, that as the year drew to a close the stockpile of new cars awaiting customers passed the 710,000 mark, a record for that time of year. The disposal of about 325,000 *new* 1955 models, included in the backlog, is a problem that is expected to take several months to solve. Meanwhile, the 1956 models are accumulating as they pour from factory to dealer.

Another Sales Deterrent

There has been a lot of talk that 1957 cars will feature radical changes, making the cars now available "obsolete." Uncounted thousands of Americans would rather wear high button shoes than drive an "obsolete" car, hence this talk is not helping current sales. There is even talk that the 1957 "out of this world" cars will be on the market by late summer, which is yet another factor that could militate against current sales.

Thus, for the investor con-
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What Is Ford Stock Worth?

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sidering purchase of the Ford stock it is well to remember that more must be taken into account than the tremendous achievement of a single company. Ford, which has nothing like the widespread diversification of the GM octopus, would feel most keenly a lean period of car sales. Incidentally, the prospectus accompanying the stock offering, frankly enough, has alluded to production cutbacks already placed in effect.

Assuming it is offered in the low 70's, the stock would seem to be amply priced for the time being. There are no connotations of a bargain, although the Page One, television and radio publicity is certain to elicit bids from people who will buy the name as they would the product — without looking at the works. Any chance that it might have been offered on the bargain counter was eliminated by the certainty that it would attract "free riders" and speculators trying to make a fast turn in the stock. These elements were not a negligible factor in the decision to revise upward by 47% the total number of shares to be offered by the Foundation.

As far as the *investor* is concerned, the risk of disappointment would appear small as long as no miracles are expected. Ford is a company with a great history that stands today at a higher peak than ever before. It should be an even better one, now that it is responsive to the great stock-owning community.

Many experienced investors, planning to take a long-term position in Ford stock, are preparing to employ the dollar-averaging method. That is to say they expect to subscribe to the offering and to purchase additional shares in the event of a substantial reaction. This, of course, presupposes that the necessary cash resources will be available to investors who see its advantages. —END

For Profit and Income

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depreciation charges in most cases will either be lower than 1955's or no higher. The shift to jet transports will be costly in capital outlays; but it will not begin until late 1958 and will be spread over a considerable period of time. Moreover, present indications are that it will be financed by long-term borrowing, at least by the leading companies, on a readily manageable repayment basis, rather than by equity or preferred-stock financing. American and Eastern have already arranged long-term insurance-company loans to facilitate the change to jets. These two stocks and United Air Lines remain the most suitable long-term speculations in the group.

United Shoe Machinery

Formerly for many years a Blue-Chip favorite particularly of New England investors, the stock of this biggest maker of shoe machinery is at 54 in a range, since 1937, of 96¼-35¼. Earnings were $2.95 a share in the fiscal year ended last February 28, well under the long-term average. Dividends are on a $2.50 basis, against maximums of $4 to $4.25 paid in some pre-war years. Under an anti-trust decree the company has had to give up certain activities of no great importance in its over-all profit picture; and has had to give customers the option of leasing or buying its machinery. In the fiscal quarter ended August 31 profit from operations showed a year-to-year rise of nearly 80% to $1.03 a share, and capital gains on old machines sold came to 80 cents a share, bringing the total to $1.88 a share, from 58 cents a year earlier. Future capital gains over a period of time could be spectacular, but are impossible to estimate. Over-all profit for the year ending February 28, 1956, is likely to be in the vicinity of $5 or more a share. It seems only a matter of time for the stock to get back to at least a $3 dividend. Yielding 4.6% on the present basis, the potential for appreciation appears to be substantial, the risk relatively low. —END.

Prospects For Leading Industries

(*Continued from page* 420)

competitors. There follows a protracted period of intense rivalry marked by price-cutting, reduced profits and, generally, lower stock prices.

On an over-all basis, the industry must be catalogued as a growth field. Population rise is adding substantially to the numbers of aged and infant—both important consumers of ethical drugs. Commercial opportunities for antibiotics in agriculture, to cope with plant and animal diseases and to speed growth, are in for a sharp increase. Best gains over the long term should be made by those companies that develop and introduce new products out of research, either superior specialties to replace those already on the market or for use where effective treatments are not now available.

ELECTRICAL MACHINERY —Electrical machinery producers enjoyed a banner year in 1955. Total output of the industry advanced somewhat more than 10%, to a level slightly in excess of the very satisfactory 1953 volume.

Capital outlays of the public utilities industry, which is a major market of the electrical machinery manufacturers, rose to about $4.6 billion in 1955, or a shade better than their former peak in 1953. Communication equipment sales continued their steady annual rise; sales of electrical devices and supplies for the building industry evidently rose further with the increase in construction activity, radio-television had its best year yet (see below). And the broadening application of electronics to factory and office controls, and in defense development, added further to the industry's market. Earnings records of the major electrical manufacturers for 1955 are excellent, despite intense domestic competition in major electrical equipment (at times reaching the dimensions of a price war) and intensive bidding by foreign manufacturers.

For 1956, the industry's outlook is even brighter. Both the power and communications equip-

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Prospects For Leading Industries

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ment markets should be better than in 1955, and price competition in these industries should take a more normal color. Defense awards in the field of missile control and anti-missile detection and destruction systems should begin to approach volume proportions; electronic data processing is also rising in volume. The industry's construction specialties, on the other hand, are not likely to exceed 1955's tremendous volume, and radio-television sales may be considerably lower.

Underlying a very bright earnings prospect is the industry's tremendous year-end backlog, and the fact that prices prevailing at year-end are both higher and more stable than in 1955. By all odds, net incomes of large electrical manufacturers should be considerably above the very high levels of 1955.

GENERAL MACHINERY — Producers of general-line machinery had a good but not tremendous year in 1955, mainly because of a slow start. In machine tools, packaging machinery, and general industrial machinery, the rate of ordering did not reach boom proportions until the end of the first quarter, and production did not fully recover from the 1954 recession until well into the second quarter. The second half of the year, however, has witnessed a sharp further advance in these industries. Output has advanced much more rapidly than in the first half, new orders have continued to run ahead of output, and at year-end the industry can face the new year with a very heavy volume of business already on the books. This recovery is the more remarkable since it owes nothing to the accelerated amortization program which boosted machinery production in 1953 to an historic peak.

For 1956, the outlook is uniformly excellent for the first half, and perhaps well into the last half. However, by early 1956 machinery production and deliveries are very likely to catch and pass the ordering rate, and backlogs will probably begin to diminish. This is particularly true of machine tool producers, whose latent plant capacity is large enough to produce at a considerably higher rate in coming months. (The present limitation on machine tool production is skilled labor, not plant facilities). New orders in the industry now appear to have flattened out at about the peak levels experienced in 1953, and further gain in the volume of incoming business appears unlikely.

All of this is consistent with an extremely satisfactory earnings picture for machinery producers in 1956. Their own efficiency was greatly increased during the 1954 shakeout, and machinery prices are now considerably higher than they were in 1954 or 1953. But as with other sensitive industries reviewed here, the trend of volume and earnings at year-end is likely to be more or less downward.

TV—RADIO—MOVING PICTURES—For the TV-radio industry, 1955 was evidently an all-time peak. It is not likely to be equalled in 1956.

In 1955, radio-television production surpassed 1954 by about 15%, and was about 10% above the previous peak in 1953. (Production of other appliances—washers, ironers, refrigerators, dishwashers, etc.—which are also produced by the radio-TV companies, showed a gain over 1954 of about 20%.

The great gain of radio-TV during 1955 occurred, of course, in automobile radios for installation in new cars. This accounts for the tremendous increase in total radio production—from about 10 million in 1954 to over 13 million in 1955. Home radio sales were also up somewhat from 1954, but most of the growth was in clock-radios and other novelty types, including some increase in the new transistor portables. Standard home radio sales, which are now only a small part of the total radio market, increased moderately.

Production of television sets in 1955 evidently totalled close to 8.5 million, by far the largest on record, and about 10% better than 1954. (The previous peak of about 7.5 million was in 1950.) This volume was done predominantly in the 21-inch model, al-

though for the first time there was significant volume in the 24-inch size. The merchandising of color-TV yielded very few sales, but the approach of color sets at reasonable prices apparently did not deter customers from buying black and white sets.

Despite intense price competition, earnings of the radio-TV producers on this tremendous volume were very satisfactory indeed thanks to the efficiencies of high volume and the increased mechanization of electronics production. (A few large set manufacturers converted to printed circuits in their 1955 models, and others will doubtless change over in the near future.) Earnings from radio-tv were also heavily augmented by high volume in phonographs, FM-radios, records, and so-called hi-fi, multi-speaker equipment.

For 1956, the outlook, in so far as sales and earnings is concerned, is not nearly as good as 1955, principally because it is highly unlikely that 1955's volume, which was achieved through a substantial growth in instalment credit, can be duplicated. In fact, by the late months of 1955 there was already a growing body of evidence that the credit market for these and other appliances (including even automobiles) had been seriously weakened by the personal debt burden. Earnings for 1956 are very likely to be moderately below 1955 in all segments of the industry except those specialty producers who sell to the luxury, non-credit market.

In 1954, motion picture admissions rose slightly—to about \$1.3 billion—for the first time since 1946. While reliable figures are not yet available for 1955, indications are that the uptrend has continued, and perhaps accelerated, and there are good grounds for arguing that television, which was mainly responsible for the serious decline of theatre receipts, is no longer a serious threat to the earning power of motion-picture producers, at least for the next several years. In many respects, such as the leasing of old films, the two media are now cooperating in ways that should bolster the motion picture industry's earning capacity. In addition, most of the heavy experimental expenses associated with the development of wide-screen techniques are past, and overseas production, with its concomitant

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Prospects For Leading Industries

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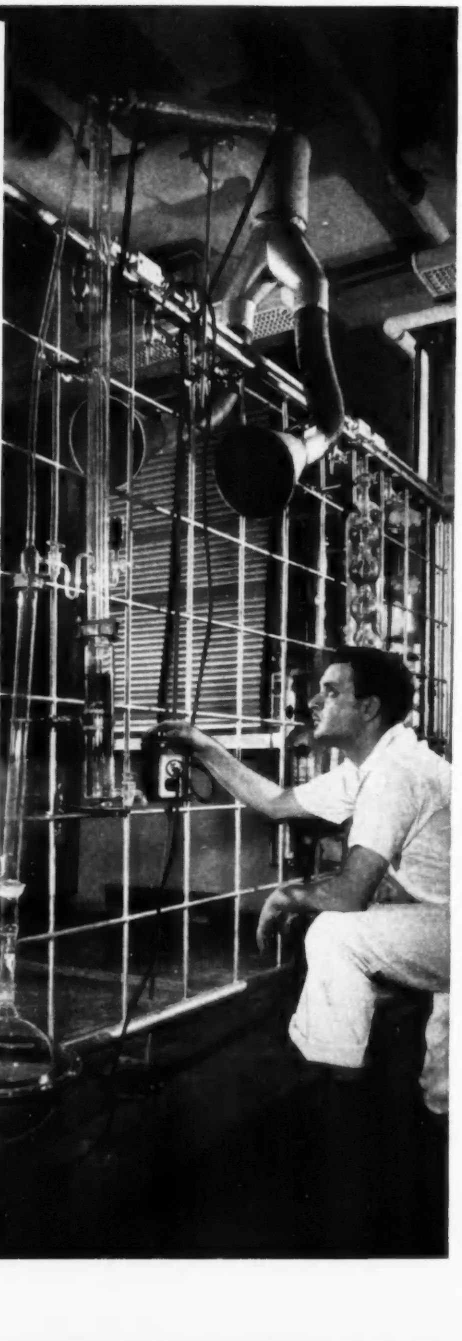
tax advantages, is benefitting earnings statements. While the industry is far from out of the woods that television led it into, its prospects for 1956 are good. It might be added that adjustment or even general recession in economic conditions would have little direct impact on the motion picture industry, and might actually have a beneficial effect over the short term. Experience in earlier recessions suggests that entertainment outlays of this type are highly resistant to declines in income. —END.

(Note: The second section of this review of leading industries appears in the succeeding issue.)



Answers to Inquiries

(*Continued from page* 453)

Liquid Carbonic Corp.

"I subscribed to your magazine early in 1955 and find it quite informative. Will you please furnish recent earnings data on Liquid Carbonic Corp., working capital position and prospects over coming months?"

C. D., Pittsburg, Cal.

Liquid Carbonic Corp. is one of the largest domestic producers of carbonic gas and dry ice. Industrial gases are also produced.

Net earnings for the fiscal year ended September 30, 1955 amounted to $3,311,014, an increase of 20% from $2,840,248 in the previous year.

Earnings were equivalent to $3.04 per common share, based on 1,009,986 shares outstanding at the close of the fiscal year. This compares with prior year earnings of $2.77 per share, based on 933,155 outstanding shares.

The company paid cash dividends totaling $1.55 per share, as against $1.40 in the 1954 fiscal year. Directors had approved an increase in the regular quarterly dividend rate from 35¢ to 50¢ at the October board meeting.

Net sales for the year were $43,928,485, compared to $51,356.089 in the previous year.

The company attributed the difference to the lower sales volume of the former Durable Goods Division, disposed of June 1, 1955. As a result of the disposition, substantial losses sustained in this division, which included both bottling machinery and contract manufacturing of defense products, will be eliminated in the future. With plant machinery and real estate still to be sold, the company estimated that total net cash to be realized from the durable's disposition program will exceed $15,000,000. These funds would materially strengthen the company's working capital and make it possible to proceed with further expansion and diversification in the compressed gas and chemical fields.

New industrial uses for compressed gas products have not only improved volume potential, but are resulting in market diversification which tends to level out the historical seasonal fluctuation in sales.

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Answers to Inquiries

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During the year, the company's consolidated capital expenditures amounted to $4,857,287. A $1,500,000 carbon dioxide plant in Oakland, Cal. was opened in September — the largest complete manufacturing facility in the industry on the West Coast. The Houston, Texas carbon dioxide plant was modernized, with capacity doubled.

The company's financial position appears strong. Working capital was $19,065,031, with a ratio of current assets to current liabilities of more than four to one. Prospects over coming months appear favorable.

Walworth Company

"I am already a subscriber and would be grateful if you would help me with late information on Walworth Company, giving recent sales volume, earnings and dividends, and outlook."

K. J., Clearwater, Fla.

Walworth Co. is the second largest manufacturer of valves and fittings, pipe tools. It also distributes plumbing and seamfitting lines manufactured by others.

Walworth Co. reported a sharp increase in consolidated net income in the first 9 months of this year. In the period to September 30th, net income, after all charges, advanced to $1,702,699, equal to $1.19 a share on the average number of common shares outstanding during the period. This contrasts with a net loss of $233,019 in the first 9 months of 1954.

Sales of the company in the current 9-month period increased to $35,041,610 from $28,069,057 in the comparable period a year ago, a gain of $6,972,553, or 25%.

In the third quarter of this year, net income, after all charges, amounted to $768,581. This was equal to 48¢ a common share on the average number of shares outstanding and compares with a net loss of $260,212 in the September quarter of last year. Sales for the 3 months were 70% higher, totaling $13,464,420, against $7,907,810 in the 3 months to September 30, 1954. Sales were affected during September, 1954, by work stoppages at three principal plants of Walworth.

Sales and income figures for the third quarter of 1955 and for the first 9 months of this year include the operations of the M. & H. Valve & Fittings Co. for August and September and the Alloy Steel Products Co. for September. Walworth completed in October the acquisition of Southwest Fabricating & Welding Co., Inc., Houston, Texas.

In connection with the acquisition of these three businesses as an integral part of Walworth's expansion and diversification program, the company issued a total of 483,039 shares of common stock. A total of 1,841,797 common shares of Walworth are now outstanding.

Management feels that the integration of these three companies into Walworth's over-all operations will be of future substantial benefit. The indicated annual sales of Walworth and its subsidiaries have increased from $42,000,000 to in excess of $60,000,000. The company believes its expansion and diversification program to date, created sales opportunities in profitable market areas without the necessity of incurring heavy capital expenditures for new manufacturing installations and special equipment.

Current quarterly dividend is 20¢ per share. No dividends were paid in 1954.

H. J. Heinz Company

"I am one of your present subscribers and would like to receive late information in regard to H. J. Heinz Company, particularly as to new lines, earnings, etc."

M. H., Sandusky, Ohio.

H. J. Heinz and its subsidiaries process and pack an extensive line of food products sold under the trademark: "57 Varieties". Its position is well entrenched, its past record is characterized by stability of earnings, dividends and market price. Further improvement is expected in view of aggressive merchandising policies and expansion in new lines.

H. J. Heinz Co. established an all-time sales record of $234,179,207 for its 86th fiscal year, which closed April 27, 1955. Last year's sales were $220,632,934.

Net income for the year increased 57% to $8,782,324 from $5,585,676 for the previous year.

The company continued to pay quarterly dividends on the common stock during the year at an annual rate of $1.80 a share. This

marked the 44th consecutive year in which dividends were paid on the common stock.

Earnings per share were $5.02 as compared to $3.12 per share a year ago. After the payment of dividends, a total of $5,433,029 was transferred to surplus. This amounted to $3.22 per share of common stock.

The outlook for fiscal 1956 continues promising.

In addition to its United States business, the Heinz Co. operates subsidiaries in England, Canada and Australia, with the firm's international headquarters located in Pittsburgh.

The company's recent entry into the field of geriatrics with its new "Senior Foods" for older people represented an important step in the new-product field. This new line will be market-tested in Cincinnati, Ohio and St. Petersburg, Fla., and then later on extended to the rest of the country.

Also of importance during the year was the national introduction of Strained and Junior Meats packed in glass containers, which gained rapid consumer acceptance and now ranks among the firm's most promising varieties.

In Great Britain, Heinz sales exceeded those of the previous year by 28% in volume and by 24% in value. The increase in tonnage was the highest recorded in the company's history. A new factory is being constructed in Lancashire, England, and the factory should be in production by September, 1957. Plans also have been made for expansion of facilities at the company's factory at Harlesden.

The Canadian company experienced another record-breaking year, both in profits and sales.

During the past year, Heinz introduced 24 new Baby Foods varieties in Canada, bringing the total number of varieties to 88. The Australian company completed the year with the largest business volume in history, continuing the improvement indicated last year. Sales increased by 13% over 1954. A new factory is nearing completion and is expected to be in full production soon.

The quarterly dividend is 45¢ per share.

Consolidated net sales for the six months to October 26, 1955 were $128,740,122, net after taxes amounted to $5,380,391, equal to $3.10 per share based on 1,688,897 shares outstanding. This compares with the corresponding period in the preceding year, when net sales were $116,639,067, net after taxes $4,534,686, equal to $2.59 per share.

Julius Kayser & Company

"I hear that Julius Kayser & Company is expanding its operations through acquisitions, etc., and I would appreciate receiving late data on the company and include working capital position and book value per share, etc."
E. L., Santa Monca, Cal.

Julius Kayser & Company, manufacturer of lingerie, hosiery, gloves and ladies' accessories, reported net sales of $43,203,620 for the fiscal year ended June 30, 1955,—an increase of 122% over 1954 sales of $19,426,711. Operating results and special items, after provision for Federal taxes on income, totaled $602,992, contrasted with a loss of $388,379 in the previous year. The company showed an increase of working capital to $16,472,757, contrasted with $11,141,027, the previous year, an increase of 48%.

The book value of Kayser's common stock as of June 30, 1955, was $17,661,928, contrasted with $16,366,507 the year before, an increase of $1,295,421 or approximately 8%. Book value per share on the 650,000 shares outstanding at the end of the year under review was approximately $27.17 per share based on the 650,000 shares outstanding, whereas at the end of the preceding fiscal

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As I See It!

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the Geneva Conference in July. Unfortunately, the subsequent, but not surprising, double-cross by the Kremlin nullified the good effects of the President's generous offer.

From the above recital, it is clear that U.S. diplomacy must be reviewed and strengthened. With the Soviets constantly working towards an effective world policy—none-the-less effective, because of its spurious sponsorship of "peaceful coexistence"—it is time that this threat was met by real initiative by our government in world affairs, instead of by the hesitations and uncertainties which marked last year's efforts. —END

BOOK REVIEWS

"Big Enterprise in A Competitive System"

By A. D. H. KAPLAN

Big business has been reinforced by public behavior and suspect by public opinion for over half a century. Economic theory has stressed the monopolistic aspects of bigness. but few investigations have examined the evidence of the role of big business in the competitive enterprise system. That is the purpose of this volume.

This is an orientation volume, based on several years of research into the structure and performance of big business. The study reviews both the measures of bigness and the practices of big enterprise. It concludes that we need a more realistic conception of the place of big business in modern society. It also finds that we require a more realistic concept of competition for the guidance of public policy.

Brookings Inst. $4.00

Economics and Public Policy

Brookings Lectures—1954

By

Arthur Smithies, Joseph J. Spengler, Frank H. Knight, John Jewkes, Jacob Viner, Lionel Robbins

These lectures discuss economics and its application to policy problems. They examine, in turn, economic welfare as an objective of policy, the contribution that economic theory may make to public policy, the central place of freedom, order, and justice as objectives in a changing world, the economist's responsibilities, the relevance of international trade theory, and a further examination of the relation between freedom and order and their policy implications.

Economics and Public Policy is intended for students of business and government as well as for economic specialists.

Brookings Inst. $2.00

Answers to Inquiries

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year, with 603,800 shares outstanding, book value of each share was approximately $27.11.

The fiscal year under review—75th year of Kayser's history—was the first full year under the present management and had seen a number of important acquisitions and realignments.

In September, 1954, Kayser acquired assets of the Diamond Hosiery Corp., makers of Fruit-of-the-Loom fine nylons. In early 1955, Kayser obtained 100% ownership of Catalina, Inc., one of the world's leading producers of swim-wear, sportswear and sweaters. This successful enterprise was an important factor in the company's improved position during the past year.

After the close of the fiscal year, Kayser acquired the business, trade name, trade-marks, goodwill and certain assets of the Holeproof Hosiery Co. The integration of Holeproof into Kayser should be very beneficial.

In acquiring Holeproof, Kayser secured a group of seasoned and talented executives, plus excellent facilities for the manufacture of tricot fabrics in its underwear plant at Halleyville, Alabama. Since production of this equipment plus that at Bantam, Conn., acquired last year, is believed sufficient to provide anticipated needs for all divisions, Kayser has been enabled to dispose of its tricot plant at Fountain Inn, S. C., in which approximately $2,500,000 was utilized in fixed assets and working capital which will now be available to the company for other operations.

During the year, the company also acquired the Guttman-Meyer Glove Co., integrating it into a new division called Diamond Glove Corp. In July, 1955, after the close of the fiscal year, Kayser also acquired the Sherman Underwear Co.

In order to capitalize fully on expanding opportunities, the company proposes to sell additional shares of common capital stock, offering these to present stockholders on basis of one share at $20 a share for each five shares held.

The last dividend was 25¢ per share on January 5, 1954.—END.

Economic Comparison: West and East Europe

1. *In virtually all basic industrial products, Western Europe still outproduces the East, including Russia, by a substantial margin.*

The combined output of Russia and the satellites ranges from less than 50% of Western Europe's production of such consumers' goods as zinc and cement to 75% of Western Europe's production of steel and coal. (Production of petroleum in the West including the overseas territories is, however, only slightly above Eastern output. Production of copper is substantially less than in the East.)

2. *Per capita production of consumer goods is even more in the West's favor as a larger gross output is divided among a population of 6 percent smaller than in Russia and the satellites*

Not only is the present level of production favorable to the West but it is also maintaining its lead better than in the heavy industries. The relatively slower rate at which the Communists have expanded the consumer industries is evidence that the much-advertised "welfare" economics have not yet been geared to serve the population.

3. *Mechanization of agriculture, as evidenced by production of farm tractors, has proceeded at a faster pace in the West*

The breakneck pace of industrialization in Russia and the satellites has so far neglected agriculture as well as industrial consumer goods. This is demonstrated not only by production figures but also by Malenkov's own report on investments. Investment in agriculture and light industry from 1929 to 1952 totaled 166,000 million rubles, or only one-fifth of the investment in heavy industry and transportation.

For all of its talk of farm mechanization, Russia has only 1 tractor for 400 hectares of arable land, compared with 1 to 156 hectares in France. In most of the satellites the ratio is even lower: 1 to 620 hectares in Rumania, 1 to 764 in Poland, 1 to 860 in Bulgaria.

On the other hand, these factors are not in Western Europe's favor:

1. *Over the past 25 years the East has greatly narrowed Western Europe's margin of industrial superiority*

Of the 18 industries reviewed in this study, the East raised its volume of output relative to the West in all but 2 (petroleum production did not expand as fast as in the overseas territories of Western Europe, and tractor production also fell behind relatively). On the whole, the record of the past 25 years would seem to indicate that the Eastern countries have reduced by about one-half Western Europe's lead in heavy industries and by perhaps one-quarter its lead in consumer industries.

2. *The East's relatively greater progress in production of heavy goods confirms its emphasis on expanding industrial capacity.*

Communist planning has not hesitated to squeeze consumers in order to enlarge capital production. That this has created an unbalanced industrial structure, by Western standards, is very evident. But so far dictatorship has not felt compelled to pay much more than lip service to consumers. Large promises and modest increases in supplies for the public may be the rule in the future as in the past. In that case, priorities will insure the further rapid development of the basic industries. Within the next quarter century, Eastern Europe in combination with Russia could thus exceed Western Europe's capacity to produce—for development or for war.

3. *The expansion of consumer goods production in the East, even though small compared with heavy industry, gains significance by contrast to the past and to any evidence of relative stagnation in other countries*

In the eastern countries, living standards have been so low that even small increases in supplies can be used to create an impression of significant progress. The Russian Communists have from the start recognized the value of the promise of a "golden future." In Western Europe, the total product for the consumer is still considerably larger, but it has changed relatively little in the past 25 years. —END.

—Trends in Economic Growth by Joint Committee on the Economic Report